

ERIKSEN & ASSOCIATES LTD

Actuaries & Investment Strategists

Eriksen's Master Trust Survey Results to 31 March 2015

Investment Returns

The annual rate of CPI fell to 0.1% for the year to 31 March 2015. This was due to two negative quarters in a row. Growth funds returned 13.5% over the year, balanced funds gained 11.3% and conservative funds rose 7.7%. The returns have risen across the board since last quarter. Over the longer term (five years) single sector aggressive funds have been the strongest performers, followed by balanced and growth funds.

Economic Commentary

Over the Easter weekend the Kiwi dollar reached a record high against its Australian counterpart just shy of parity at 99.78c. When the Reserve Bank of Australia kept its OCR on hold on 7 April at 2.25% the Kiwi slipped back to 98c, where it had ended the quarter to 31 March.

Being free to float, both the Australian and New Zealand dollars are heavily traded as global investors seek higher yields or dividends from shares. Our dairy prices have held up better than Australia's iron ore and the strong dollar is not really hindering tourism except from Europe. This is because over the last quarter the New Zealand dollar has fallen 4% against the USD, Japanese Yen and Chinese Renminbi but risen 2.8% against the AUD and 8% against the Euro. Whether we achieve parity or not may depend on whether the RBA meets market expectations to further reduce the OCR in May but in the meantime we enjoy lower fuel prices at the expense of exporters. Although the RBNZ may cut the OCR (which we doubt) both the Australian main cities, like Auckland and Christchurch, have hot residential property markets which may get even hotter should mortgage interest rates drop in response to an OCR cut across the ditch.

Main city housing markets are not the only potential bubble-like effects from quantitative easing around the world. The US, UK, German, Japanese and New Zealand stock markets are all at record highs although experienced investors are becoming increasingly nervous. The German DAX rose 22% in the last quarter due to the ECB's actions.

Despite the excitement over the strength in the Kiwi dollar most investors' attentions are focussed on the US Federal Reserve. Will they raise interest rates this year or not? One poor job creation number for March (126,000 instead of the usual 200,000 plus) has boosted stock markets. Investors are complacent and betting (or hoping) that the FED will delay its rate rise from June to September or even wait till next year. At the same time the yield on 10 year US treasuries is less than 2% per annum.

In March the number of people in the US who dropped out of the labour force rose by yet another 277,000, up 2.1 million in the past

year, and has reached a record 93 million. This means that the labour force participation rate dropped once more, from 62.8% to 62.7%, a level last seen back in February 1978.

The price of oil went up in April as Saudi Arabia increased the price for its three month forward delivery. Brent Crude rose to around \$60 a barrel as a result. However it has again got up around the \$65 mark at the time of writing.

In the US storage at Cushing, Oklahoma, the nation's largest storage facility, reached 54.4 million barrels, a new high. Since it was upgraded in 2011, maximum capacity now stands at 85 million barrels. But if the current fill rate keeps up - 2 million barrels a week - the cap could be reached as soon as this June (with a depressing effect on the price of oil). Vehicle sales are up, as is the number of miles being driven on U.S. highways. With the busy summer travel season fast approaching demand may compensate.

Technological advances such as hydraulic fracturing, or fracking, have made the oil-extraction process much more efficient. In fact, output continues to climb in the US even as the number of rigs in operation has dropped.

In Europe the ECB has successfully purchased €60 billion of sovereign (mainly German) bonds. Greece is managing to keep European creditors at bay and talking to Russia. The soft Euro at US\$1.07 is helping exports in that region.

Iran is close to having the Western Sanctions lifted in return for constraints on its nuclear power program but the fighting in the Middle East has spread to Yemen.

Geopolitical risks are always around. They don't look like decreasing anytime soon.

KiwiSaver Past Age 65

Did you know that you can leave your accumulated funds in your KiwiSaver account past the age of 65? Most providers allow members to draw down smaller chunks of their savings as required, rather than withdrawing the whole lump sum when they reach 65. This means you can continue to earn returns on your investment rather than holding it all in a low interest-earning bank account or term deposit. Better still you can withdraw whatever amount you need with a few days' notice. Your savings are almost on call!

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**Eriksen's Master Trust Survey
Results to 31 March 2015**

Fund Name	Fund Size \$ million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
Growth Funds						
AMP Aggressive	247.4	13.7	10.8	11.0	7.7	7.2
AMP Growth	169.4	12.6	9.8	10.0	7.2	6.8
AMP's SMT Multi-Manager High Growth	7.3	12.5	9.9	10.1	6.6	6.5
Aon Growth	8.7	11.0	8.9	9.8	8.0	7.4
ASB Growth	258.1	15.6	12.6	12.2	8.6	8.2
Aventine's SuperLife Aim80	19.3	13.0	7.5	8.3	5.4	5.9
Aventine's SuperLife SuperLife Growth	197.2	13.3				
Aventine's SuperLife SuperLife80	1.7	12.0				
Fisher Funds LifeSaver Growth	49.0	8.0	8.1	8.9	6.6	6.1
Mercer Growth	66.2	12.4	11.2	10.3	7.4	7.0
All Growth Funds	1,024.2	13.5	10.9	10.9	7.7	7.3

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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Balanced Funds						
AMP ANZ Balanced Plus	248.1	14.7	11.7	11.9	9.6	8.9
AMP ASB Balanced	58.4	13.1	10.0	9.7	7.3	7.0
AMP Balanced	721.0	10.7	8.1	8.5	6.6	6.2
AMP Fisher Balanced	140.8	9.7	8.5	8.7	6.6	6.2
AMP Moderate Balanced	153.3	9.7	7.2	7.5	5.8	5.6
AMP Nikko AM Balanced	117.7	12.1	10.0	9.9	7.3	6.9
AMP's SMT Multi-Manager Balanced	16.0	10.7	8.2	8.3	6.1	6.1
Aon Balanced	48.5	7.9	6.5	7.4	6.4	6.3
ASB Balanced	587.8	13.2	10.2	10.1	7.5	7.3
Aventine's SuperLife Aim60	48.3	11.6	6.7	7.5	5.5	5.8
Aventine's SuperLife Ethica	13.8	12.9	8.2	9.2	7.0	6.4
Aventine's SuperLife SuperLife60	194.2	10.0	7.4	8.8	6.7	6.8
Fisher Funds Lifesaver Balanced	248.4	7.6	6.7	7.3	5.7	5.4
Mercer Active Balanced	102.7	11.2	10.0	9.2	7.0	6.6
All Balanced Funds	2,699.1	11.3	8.8	9.1	7.0	6.7

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Conservative Funds						
AMP Capital Assured	96.1	5.5	4.6	3.7	3.5	3.4
AMP Conservative	269.4	7.1	5.0	5.3	4.7	4.6
AMP Moderate	95.1	8.6	6.3	6.5	5.4	5.1
AMP's SMT Multi-Manager Conservative	6.2	7.1	5.1	5.4	4.8	4.9
Aon Capital Stable	5.3	4.5	3.0	3.5	3.4	3.4
Aon Conservative	13.4	6.9	4.4	5.0	4.5	4.3
ASB Moderate (previously Conservative)	140.8	10.4	7.6	7.7	6.2	6.1
Aventine's SuperLife Aim30	34.9	8.9	5.4	6.1	5.3	5.4
Aventine's SuperLife SuperLife Income	70.6	6.6				
Aventine's SuperLife SuperLife30	24.9	8.3	5.0	6.4	5.3	
Fisher Funds LifeSaver Conservative	24.0	6.5	5.1	5.5	5.0	4.7
Mercer Conservative	10.1	7.4	6.1	5.7	4.9	4.8
All Conservative Funds	790.8	7.7	5.6	5.8	5.0	4.8

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Single Sector Aggressive						
AMP Australian Shares	7.0	5.8				
AMP International Shares	8.0	13.6				
AMP Passive International Shares	3.9	18.0				
AMP Property Fund	7.6	17.8				
AMP's SMT Listed NZ & Australian Property	0.5	24.8	12.1	14.9	14.3	12.9
AMP's SMT NZ & Australian Shares - Value	0.5	23.0	20.2	20.6	15.2	12.6
AMP's SMT Listed International Property	3.3	29.7	17.0	17.2	13.7	13.6
AMP's SMT International Shares - Growth	1.3	22.1	26.2	18.3	13.1	11.1
AMP's SMT International Shares - Passive	2.0	17.6	16.6	15.4	10.3	9.4
AMP's SMT International Shares - Value	0.5	13.2	17.3	13.7	6.2	5.5
AMP's SMT Multi-Manager NZ & Australian Shares	1.0	10.2	7.5	11.7	7.8	7.2
ASB Australasian Shares	8.3	10.6	10.0	13.4	8.6	7.8
ASB Global Property Shares	32.5	30.1	14.1	14.8	10.7	11.5
ASB World Shares	15.9	20.5	17.6	14.5	9.7	9.2
Aventine's SuperLife Australian Shares	38.0	9.5	-2.0	0.8	-1.3	0.0
Aventine's SuperLife Emerging Markets	14.6	15.9	4.0	2.3	-3.9	
Aventine's SuperLife Gemino	7.0	-22.3	3.5	11.1	-2.3	2.6
Aventine's SuperLife New Zealand Shares	68.1	0.6	10.2	17.6	12.0	12.1
Aventine's SuperLife Overseas Shares Hedged	106.2	15.2	13.8	13.5	9.8	10.0
Aventine's SuperLife Overseas Shares Unhedged	77.0	21.5	17.1	13.3	7.7	7.0
Aventine's SuperLife Property	30.8	24.4	10.6	13.9	12.3	11.7
Aventine's SuperLife UK Growth	1.9	9.8	6.5			
Fisher Funds LifeSaver Equity	39.4	8.5	9.1	9.7	5.6	5.6
Fisher Funds LifeSaver Trans-Tasman Equity	13.0	8.0	8.4	11.8	9.3	7.5
Mercer Shares	26.2	17.5	17.2	15.5	10.0	9.1
All Single Sector Aggressive	514.6	14.3	11.7	12.6	8.2	8.6

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Single Sector Defensive						
AMP Cash	87.1	2.4	2.1	2.1	2.1	2.2
AMP International Fixed Interest	1.3	4.5				
AMP New Zealand Fixed Interest	6.0	6.6				
AMP's SMT Cash	3.3	2.5	2.3	2.3	2.2	2.3
AMP's SMT International Fixed Interest	0.8	6.1	4.0	4.0	4.8	4.8
AMP's SMT NZ Fixed Interest	1.5	6.8	3.1	3.7	4.1	4.3
ASB Cash	62.5	2.8	2.5	2.3	2.2	2.2
ASB New Zealand Fixed Interest	41.8	5.7	2.9	3.4	3.9	4.2
ASB World Fixed Interest	41.8	5.9	3.6	3.6	4.3	4.0
Aventine's SuperLife Cash	112.3	2.9	2.8	2.8	2.8	2.8
Aventine's SuperLife New Zealand Bonds	113.5	6.2	4.1	4.6	4.9	5.1
Aventine's SuperLife Overseas Government Bonds	46.0	8.2	2.9	3.6	4.3	4.3
Aventine's SuperLife Overseas Non-Government Bonds	55.0	7.7	4.4	4.9	5.4	5.0
Aventine's SuperLife UK Cash	9.6	2.6	3.4	0.3		
Aventine's SuperLife UK Income	0.4	8.3	4.0			
Fisher Funds LifeSaver New Zealand Fixed Income	11.3	6.2	2.7	3.3	4.0	4.1
Fisher Funds LifeSaver Preservation	46.1	2.7	2.5	2.5	2.4	2.4
Mercer Cash	24.9	1.9	2.0	1.8	1.9	2.1
All Single Sector Defensive	665.2	4.5	3.1	3.2	3.5	3.5
Total Funds	5,693.9	10.7	8.3	8.6	6.5	6.3
Cash Benchmark (Net)		2.4	2.1	2.0	2.0	2.0
CPI		0.1	0.8	0.8	1.0	1.7

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