

# ERIKSEN & ASSOCIATES LTD

Actuaries & Investment Strategists

## ERIKSEN'S MASTER TRUST SURVEY

### RESULTS TO 30 SEPTEMBER 2015

#### Investment Returns

The annual rate of CPI was 0.4% for the year to 30 September 2015. This was up 0.1% from last quarter's annual result. Growth funds returned 3.3% over the year, balanced funds gained 4.2% and conservative funds rose 3.7%. The returns have fallen for all fund types since last quarter mainly due to equity markets falling across the board. Over the longer term (five years) single sector aggressive funds have been the strongest performers, followed by balanced and growth funds.

#### Economic Commentary

Global market sentiment has largely been centred on Chinese demand for commodities and increased speculation that the US Federal Reserve would leave interest rates on hold for the rest of the year. These two subjects, as well as Europe's refugee crisis, have been singled out by the World Trade Organisation as factors in their downward revision of world trade growth from 3.3% (in April) to 2.8% for this year.

The latest Federal Reserve meeting took place in mid-September and was one of the most anticipated in recent times. A decision was made to keep interest rates at current levels. The IMF and World Bank spoke out suggesting it would be inappropriate to raise rates considering the amount of volatility currently present within markets. A concern is that the longer the Fed postpones normalisation (increase in rates), the more difficult the return to normal markets is going to be.

However the low September jobs figure (140k rather than 180k expected) appears to have reduced the likelihood of a Fed rates rise this year to almost zero. Anxiety over Fed policy is having damaging effects on emerging markets with the surging US dollar and subsequent capital outflows. These effects will make it difficult for governments to fund their liabilities and businesses will struggle to attract investment.

Europe has its own problems, the immigration crisis being the crux of these. Just as the Grexit showed the underbelly of monetary integration in Europe, the refugee crisis faced in the region at the moment highlights the huge difficulty of political integration. What has developed is an East-West split on immigration policy which has arisen largely due to the turmoil in Syria. Tens of thousands are leaving Syria each week and it is the Eastern European countries that are bearing the brunt of these refugees. Walls and border controls are being erected. Hungarians, Slovaks and Czechs do not want European Union ministers in Brussels telling them how many refugees they must admit and support.

Germany on the other hand have announced they can take 800,000 immigrants, well above the quota proposed by the EU. Even in Germany they are instituting border controls to stem the flow. Germany has an ulterior motive long term. At present there are not enough workers to pay for the social programs for

which they are famous for. This problem will become worse unless their population increases significantly in the coming years and decades. Chancellor Merkel's answer is thus to "import" more foreign workers. How effective this strategy may be will depend on what the net contribution will be to the German economy. In other words, will the amount of immigrants who are educated and skilled outweigh the ones who depend on public support once settled in the country?

The Chinese headlines continue to be dominated by the slowdown in the overall economy. The decline in growth is seen as a shift of their economy from a manufacturing-driven one, to one that is powered by consumption. The official growth figure out of China for the second quarter was 7%, but many multinationals based in China struggle to see this growth in their own businesses. The gap between official growth figures and what is being seen at a lower level in many sectors is proving difficult for many firms who use the data to forecast targets. The slowdown in growth may be larger than we are lead to believe.

Australia is feeling the direct effects of this slowdown through weaker demand for its commodities. The IMF estimated that the weaker commodity price outlook subtracts almost 1% annually from the average rate of economic growth in commodity exporting countries for 2015-2017 as compared to 2012-2014. The lower Australian dollar has lessened the impact of lower commodity prices however. In US dollar terms year-on-year the prices have fallen by 34%, but in Australian dollar terms the fall is only 16%. Australia's other exports have benefited from the depreciation with tourism and education imports rising, supported particularly by visitors and students from China. The improvement in these industries is creating more jobs than the decline of the mining sector is subtracting.

Malcolm Turnbull became Australia's new Prime Minister in September. This provided business leaders with a boost in confidence that has been lacking for many years after Turnbull promised to focus on economic management and reform.

The Reserve Bank of New Zealand reduced the OCR by 0.25% in early September which was expected. The statement they released said this was "warranted by the softening in the economy and the need to keep future average CPI inflation near the 2% target midpoint". Further easing is likely and will depend on future economic data. The multiple crises in the current global environment pose many challenges for the New Zealand economy. Stock markets, currencies and foreign credit across the globe are under pressure and it is only a matter of time before some of the effects are felt closer to home.

#### Contact us:

Auckland auckland@eriksensglobal.com Ph +64 9 486 3144  
Wellington wellington@eriksensglobal.com Ph +64 4 470 6144

© Eriksen & Associates Ltd 2008 - 2015 All rights reserved.

## ERIKSEN'S MASTER TRUST SURVEY

### GROWTH FUNDS: RESULTS TO 30 SEPTEMBER 2015

Fund Name	Fund Size \$million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
AMP Aggressive	225.3	-0.8	4.9	7.9	9.2	6.2
AMP Growth	161.0	-0.1	4.8	7.2	8.4	5.8
AMP's SMT High Growth	1.8	2.1	6.2	8.4	9.1	6.2
Aon Growth	8.4	6.4	8.8	11.4	12.1	9.6
ASB Growth	255.7	6.1	9.1	10.9	11.2	8.1
Fisher Funds LifeSaver Growth	49.7	4.8	7.2	9.3	10.2	7.3
Mercer Growth	100.5	5.2	8.3	9.3	9.2	6.9
SuperLife Aim80	19.3	6.1	7.1	7.6	8.7	6.2
SuperLife SuperLife80	2.5	5.3	5.2			
SuperLife SuperLife100	212.1	5.2	7.0			
<b>All Growth Funds</b>	<b>1,036.3</b>	<b>3.3</b>	<b>6.9</b>	<b>7.1</b>	<b>7.7</b>	<b>5.5</b>

### BALANCED FUNDS: RESULTS TO 30 SEPTEMBER 2015

Fund Name	Fund Size \$million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
AMP ANZ Balanced Plus	242.2	7.2	8.4	10.1	10.6	8.6
AMP ASB Balanced	57.5	4.6	6.8	8.0	8.6	6.4
AMP Balanced	701.4	0.8	4.5	6.2	7.2	5.4
AMP Fisher Balanced	137.0	5.1	6.7	7.1	8.0	5.9
AMP Moderate Balanced	238.7	1.3	4.4	5.6	6.5	4.9
AMP Nikko AM Balanced	119.6	8.9	9.2	9.6	9.7	7.3
AMP's SMT Balanced	4.7	2.6	5.6	6.9	7.6	5.6
Aon Balanced	49.9	5.4	7.0	8.7	9.7	8.2
ASB Balanced	583.0	6.0	8.0	9.0	9.3	7.1
Fisher Funds Lifesaver Balanced	242.6	4.9	6.7	7.5	8.3	6.1
Mercer Active Balanced	175.2	5.0	7.7	8.3	8.2	6.4
SuperLife Aim60	49.4	5.8	6.6	6.7	7.7	5.8
SuperLife Ethica	18.8	11.0	9.4	9.0	9.4	7.4
SuperLife SuperLife60	194.2	4.3	6.2	7.2	8.5	6.6
<b>All Balanced Funds</b>	<b>2,814.2</b>	<b>4.2</b>	<b>6.5</b>	<b>7.7</b>	<b>8.4</b>	<b>6.4</b>

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.

Eriksen & Associates accepts no liability for any errors herein, or any legal or investment decisions made as a consequence of the information shown. Investment decisions or comparisons should not be based on past performances in isolation from other factors.

CONSERVATIVE FUNDS: RESULTS TO 30 SEPTEMBER 2015

Fund Name	Fund Size \$million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
AMP Capital Assured	95.1	5.7	5.3	4.4	3.8	3.6
AMP Conservative	265.1	2.3	3.9	4.1	4.6	4.0
AMP Moderate	99.7	1.6	4.1	4.9	5.6	4.5
AMP's SMT Conservative	2.0	3.1	4.4	4.5	5.0	4.4
Aon Capital Stable	4.9	4.7	5.2	3.7	4.4	4.2
Aon Conservative	13.4	5.8	6.0	5.5	6.0	5.3
ASB Moderate	142.2	5.4	6.6	6.8	7.1	5.7
Fisher Funds LifeSaver Conservative	25.9	5.0	5.5	5.6	6.0	5.0
Mercer Conservative	28.9	4.3	5.6	5.2	5.3	4.4
SuperLife Aim30	35.7	4.8	5.6	5.2	6.0	5.1
SuperLife SuperLife Income	79.8	3.7	4.6			
SuperLife SuperLife30	28.1	4.2	5.1	4.8	5.8	4.8
<b>All Conservative Funds</b>	<b>820.8</b>	<b>3.7</b>	<b>4.9</b>	<b>4.5</b>	<b>4.8</b>	<b>4.1</b>

DEFENSIVE FUNDS (SINGLE SECTOR): RESULTS TO 30 SEPTEMBER 2015

Fund Name	Fund Size \$million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
AMP Cash	96.8	2.3	2.2	2.1	2.1	2.1
AMP International Fixed Interest	1.6	3.7				
AMP New Zealand Fixed Interest	8.5	5.7				
AMP's SMT Cash	0.3	2.5	2.3	2.3	2.3	2.3
AMP's SMT International Fixed Interest	0.1	4.0	4.1	3.6	4.1	4.0
AMP's SMT NZ Fixed Interest	0.5	6.1	4.9	3.2	3.7	3.9
ASB Cash	62.8	2.7	2.6	2.5	2.3	2.2
ASB New Zealand Fixed Interest	43.2	5.7	4.6	3.1	3.6	3.9
ASB World Fixed Interest	41.9	3.4	4.1	2.9	3.2	3.2
Fisher Funds LifeSaver New Zealand Fixed Income	12.8	6.3	4.8	3.2	3.6	3.9
Fisher Funds LifeSaver Preservation	47.0	2.8	2.7	2.7	2.6	2.5
Mercer Cash	25.7	2.1	2.1	2.0	1.9	2.0
SuperLife Cash	121.4	2.9	2.8	2.8	2.8	2.8
SuperLife New Zealand Bonds	117.6	6.2	5.3	4.3	4.6	4.9
SuperLife Overseas Bonds	44.8	3.9	4.6	2.5	3.3	3.2
SuperLife Overseas Non-Government Bonds	56.4	1.8	4.3	2.8	4.2	3.9
SuperLife UK Cash	8.5	12.7	8.3	5.6		
SuperLife UK Income	1.0	15.0	10.3	7.4		
<b>All Single Sector Defensive</b>	<b>690.9</b>	<b>3.7</b>	<b>3.6</b>	<b>2.9</b>	<b>3.1</b>	<b>3.1</b>

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.

Eriksen & Associates accepts no liability for any errors herein, or any legal or investment decisions made as a consequence of the information shown. Investment decisions or comparisons should not be based on past performances in isolation from other factors.

AGGRESSIVE FUNDS (SINGLE SECTOR): RESULTS TO 30 SEPTEMBER 2015

Fund Name	Fund Size \$million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
AMP Australasian Shares	6.7	-2.4				
AMP International Shares	8.4	4.7				
AMP Passive International Shares	3.9	3.2				
AMP Property Fund	7.0	8.6				
AMP's SMT International Shares (Growth)	0.3	19.9	19.9	21.6	20.3	14.1
AMP's SMT International Shares (Passive)	0.1	3.9	9.3	12.9	13.4	9.3
AMP's SMT International Shares (Value)	0.2	3.6	8.9	16.7	13.9	7.5
AMP's SMT Listed International Property	0.4	11.3	12.8	12.2	14.8	10.8
AMP's SMT Listed NZ & Australian Property	0.3	13.0	12.6	11.6	13.2	12.4
AMP's SMT NZ & Australian Shares (Multi-manager)	0.2	0.6	4.3	8.2	9.4	7.2
AMP's SMT NZ & Australian Shares (Value)	0.3	6.8	13.0	16.2	15.4	12.8
ASB Australasian Shares	6.2	1.3	4.5	9.2	10.0	7.2
ASB Global Property Shares	33.5	20.6	17.4	13.8	15.2	10.9
ASB World Shares	9.1	7.3	12.5	14.6	14.3	9.9
Fisher Funds LifeSaver Equity	37.3	3.6	7.3	10.4	10.8	6.4
Fisher Funds LifeSaver Trans-Tasman Equity	12.4	5.1	7.6	10.4	12.8	10.5
Mercer Shares	23.1	6.1	11.2	14.1	13.5	9.5
SuperLife Australian Shares	38.2	10.5	2.2	2.7	4.5	1.6
SuperLife Emerging Markets	15.1	0.8	4.8	3.1	3.3	
SuperLife Gemino	6.0	-20.4	2.9	2.7	8.3	-3.1
SuperLife New Zealand Shares	66.2	0.9	6.1	10.3	13.5	11.2
SuperLife Overseas Shares Hedged	97.0	-1.8	6.0	10.4	12.8	9.0
SuperLife Overseas Shares Unhedged	81.9	14.0	15.0	16.1	15.1	9.6
SuperLife Property	32.7	12.4	12.8	11.0	12.7	11.0
SuperLife UK Shares/Property	1.8	7.5	8.2	4.9		
<b>All Single Sector Aggressive</b>	<b>488.3</b>	<b>6.1</b>	<b>8.6</b>	<b>10.4</b>	<b>11.6</b>	<b>8.0</b>

TOTAL FUNDS: RESULTS TO 30 SEPTEMBER 2015

Fund Name	Fund Size \$million	Annualised Returns (Net of Tax & Expenses)				
		1 Year	2 Year	3 Year	4 Year	5 Year
<b>Total Funds</b>	<b>5,850.5</b>	<b>4.1</b>	<b>6.2</b>	<b>6.8</b>	<b>7.4</b>	<b>5.7</b>
Cash Benchmark (Net)		2.3	2.2	2.1	2.1	2.0
CPI		0.4	0.7	0.9	0.9	1.6

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.

Eriksen & Associates accepts no liability for any errors herein, or any legal or investment decisions made as a consequence of the information shown. Investment decisions or comparisons should not be based on past performances in isolation from other factors.