Quarterly Newsletter

31 March 2019

SUPERLIFE
a Member of the NZX Group

Welcome

Welcome to the March quarter news.

We are delighted to report that in a recent Consumer KiwiSaver satisfaction survey, SuperLife achieved a top three place for overall customer satisfaction. This put us ahead of three of the biggest KiwiSaver schemes and default providers who recorded below average satisfaction scores.

We were rated above average for keeping customers up-to-date and our timely responses to inquiries. Our members were more likely to know what fees they are paying and how their investments were performing relative to members of other schemes.

We continually look for ways we can support you better. Please email or call us if you have suggestions. We're keen to listen.

This quarter we provide an update on market activity where markets have rallied strongly so far this year across all asset classes.

We advise changes to SuperLife in April 2019.

In the detailed News available by email or online at superlife.co.nz:

- KiwiSaver changes to rules
- PIR (prescribed investor rate)
- Investment seminars 2019
- Check how to get your maximum government contribution (previously called MTC)
- Should you increase your KiwiSaver contribution rate?

Hugh Stevens
CEO, Smartshares

superlife@superlife.co.nz

0800 27 87 37

Market update

Markets have rallied strongly so far this year across all asset classes. This rally has largely erased the paper losses that investors experienced in December 2018, and some markets, including the NZ equity market, are now on an all-time high.

In our last update we emphasised that the sell-off seen did not necessarily herald that tough times were ahead. The bounce back in markets so far this year has reflected this view. Downside risks have become less of a concern. More specific catalysts for the recovery were likely central banks (including in the US and New Zealand) changing their minds on the need for as large future interest rate increases; the Trump Administration kicking for touch threatened tariff increases on Chinese goods; and a view that markets had become good value following the sell-off.

International equities
International developed market increased by around 11% over the quarter, implying a 9.3% return for the year ended March 2019 (FTSE Developed All Cap Index in NZ dollar terms). NZD hedged equity returns were also strong, returning 12.7% for the March quarter.

Emerging markets
Emerging market equities returned around 8.5% in the quarter (FTSE Emerging Markets All Cap Index). However, this bounce still leaves these markets with a slightly negative return over the year (around -1.5%), reflecting that Emerging Market stocks have borne the brunt of the slow-down in global trade over 2018 and the trade-war fears.

Trans-Tasman equities
Trans-Tasman equity markets also enjoyed a strong quarter. Australian shares returned 10.7% in the March quarter and 11.5% over the year (S&P/ASX 200 Index). New Zealand shares returned 11% in the quarter and 18.5% over the year to March 2019 - a very strong performance both in absolute terms and compared to offshore equity markets (S&P/NZX 50 Index).

Bonds
In recent quarters we have seen bonds suffering relatively poor returns when equities have done well and vice-versa. This quarter monetary policy easing led to both bonds and equities performing well. Global bonds returned 4% in the quarter and 4.8% in the year to March 2019 (Bloomberg Barclays Global Corporate Bond Index). New Zealand investment grade bonds returned 2.3% for the quarter and around 6% for the year.

Given the strong performance of markets Superlife fund returns were positive across the board in both the quarter and over the year to March. SuperLife Income, which has no exposure to equities, had a positive return of around 4% over the quarter and 5.2% over the year (after tax and fees). The SuperLife Balanced fund returned 8.2% in the quarter and 7.5% over the year, while the SuperLife High Growth fund, which largely invests in equities and property stocks, increased 11.5% in the quarter and 8.1% over the year.

Socially Responsible Investing and the power of engagement

The notion that Facebook and other social media providers need not take responsibility for what is broadcast on their platforms was shattered following the Christchurch tragedy. There is a growing chorus in New Zealand and offshore to bring them under the same standards that other broadcast media (radio and television) must comply with to maintain their licence to operate.

New Zealand's institutional investor community has taken these concerns extremely seriously. Smartshares has joined large investors to formally engage with Facebook, Google and Twitter. Our aim is to encourage those platforms to invest more in monitoring and excluding violent and extremist content.

My Future Strategy

As discussed in the last update, it is important not to be spooked by market volatility. Time and time again, history suggests markets recover from periods of weakness. The risk of permanent capital loss over the long term is minimal given this pattern, and because SuperLife funds are being broadly diversified.

For investors with long-term horizons, staying the course with your present investment strategy is usually the best option, subject to your goals, objectives and cash needs remaining broadly the same as when your strategy was established.

Investors concerned with performance over a medium-term horizon (the next three to five years or so) may see an opportunity to enhance returns by tweaking your allocation to cash, bonds, equities and property stocks as follows:

- Holding less in bonds and, therefore, more cash and shares. This reflects the view that equity markets offer better value, while there is risk that interest rates may increase for bonds more quickly than is currently factored into bond prices.
- Favouring value, emerging market, Australian and European equities compared to US and NZ equities. These latter markets are broadly assessed to offer less value (upside return potential) than other markets.
- Maintaining holdings of property stocks at around your longer-term allocation.
- Maintaining the currency hedge on overseas shares at around your longer-term allocation. Our interest rates are still slightly higher than foreign rates on a global market capitalisation (e.g. MSCI World Index) basis. This means hedging global equities will still earn investors a positive "carry".

This strategy does not constitute financial advice and does not take account of personal circumstances; rather it is designed to illustrate possibilities. As with all investment decisions, what might be the right strategy over the medium or longer-term may not pay-off over the very short-term. No one can consistently predict what'll happen over the short-term.

Seminar series 2019

SuperLife's investment seminar series is being held in a range of locations across New Zealand.

Go www.superlife.co.nz/resources/events for details. "Save the date" for your preferred location and more information will be provided closer to the time.

SuperLife changes April 2019

SuperLife recently made some changes designed to streamline the investment options and to make it easier for you to identify and compare the type of fund you are in. New product disclosure statements for the SuperLife schemes are now available at www.superlife.co.nz/resources/legal-documents.

Changes to SuperLife Invest

From 31 March 2019, instead of all funds being pooled together, SuperLife Invest will be segregated into 38 separate unit trusts, so that assets of one fund are unequivocally, clearly and legally ring fenced to investors in that particular fund.

New withdrawal request timing

The deadline to receive withdrawal requests from voluntary or individual accounts is now midnight to normally be processed the following evening. This is to ensure fairness to all members by reducing the possibility for a member to take advantage of overnight news which has not yet affected their balances.

Returns after tax, costs and fees

SuperLife workplace savings scheme, period ended 31 March 2019

Where returns are not shown, the investment option was not available for the full period. The quarterly investment news includes returns for an investor in the SuperLife workplace savings scheme not making contributions. For investors in SuperLife Invest, the SuperLife KiwiSaver scheme and the SuperLife UK pension transfer scheme, and for investors in the SuperLife workplace savings scheme making contributions, the returns may vary slightly.

Fund	Last quarter	1 year	3 years % p a	5 years % p a	7 years % pa
NZ Cash	0.46%	1.81%	1.92%	2.24%	2.37%
NZ Bonds	1.51%	4.23%	3.48%	4.28%	4.15%
Overseas Bonds	2.63%	3.05%	3.16%	3.92%	3.18%
Overseas Non-government Bonds	2.63%	3.17%	2.54%	3.10%	3.22%
Global Property	11.75%	19.88%	7.22%	11.53%	10.82%
NZ Shares	9.81%	16.07%	10.15%	9.89%	14.57%
Australian Shares	9.99%	8.21%	8.61%	8.09%	4.70%
Overseas Shares (Currency Hedge	11.26%	4.81%	9.66%	8.28%	9.58%
Overseas Shares	10.38%	7.87%	8.74%	10.52%	10.24%
Emerging Markets	8.09%	-2.39%	7.41%	7.05%	3.80%
UK Cash	1.14%	-1.23%	-2.04%	0.15%	-0.39%
SuperLife Income	2.22%	3.51%	3.08%	3.72%	
SuperLife Conservative	4.70%	5.74%	5.04%	5.50%	5.48%
SuperLife Balanced	7.12%	6.81%	6.66%	7.02%	7.34%
SuperLife Growth	8.79%	7.50%	7.78%	8.21%	
SuperLife High Growth	10.38%	8.19%	8.58%	8.88%	
Ethica	7.63%	6.54%	4.73%	7.63%	7.53%
NZ Cash ETF	0.46%	1.80%	1.87%		
NZ Dividend	8.97%	20.67%	9.15%		

Fund	Last quarter	1 year	3 years % p a	5 years % p a	7 years % pa
NZ Top 50	10.81%	18.21%	13.25%		
NZ Top 10	14.66%	18.36%	11.18%		
NZ Mid Cap	7.43%	16.83%	14.64%		
NZ Property	8.28%	23.88%	9.28%		
Australian Top 20	8.22%	9.66%	6.99%		
Australian Dividend	14.40%	5.29%	4.24%		
Australian Financials	4.64%	-1.81%	2.78%		
Australian Property	10.84%	22.23%	7.47%		
Australian Resources	16.68%	23.68%	24.81%		
Australian Mid Cap	8.36%	0.75%	8.77%		
Total World	10.18%	7.05%	8.93%		
US 500	11.97%	15.42%	11.44%		
Europe	8.86%	0.04%	5.00%		
Asia Pacific	6.27%	-1.97%	6.68%		
US Large Growth	14.84%	17.25%	12.85%		
US Large Value	9.07%	12.62%	9.92%		
US Mid Cap	15.07%	11.33%	9.57%		
US Small	14.66%	11.36%	10.92%		