

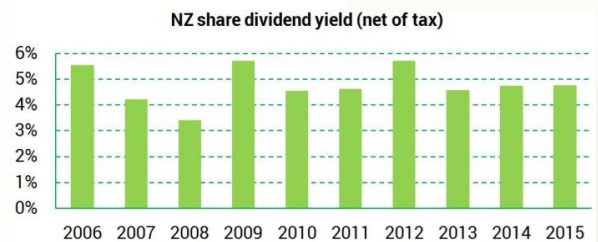
INVESTMENT RETURNS

2015 was a year where returns were volatile and uncertain, for all sectors except for Cash. A good illustration of this was NZ Shares. The graph shows the value, after-tax, of \$100 invested on 31 December 2014 in the NZ Share market over the 2015 year.



While the overall return from the NZ Share market was 13.2% (after-tax), most of this return occurred in the last 3 months. While the year started positively, by September the \$100 invested was back at \$100. During the year the first 2 months returned 5.8%, the next 5 months returned 0.3%, the next 2 months returned -4.5% and the last 3 months returned 11.7%.

2015 highlighted the importance when investing for the long-term, of looking past the returns of any particular period, as no one knows when the bad or good return-periods will arise. Also, with shares, it is important to remember that the total return is made up of the capital movement and the dividends received. Even in the month of August, when the total return was negative, an investor still earned a dividend and dividend yields have tended to be consistent over the years. The dividend yields (after-tax at 28%) from the NZ Share market over the last 10 years are shown in the chart on the right.



THE 2016 INVESTMENT SEMINAR – BUILDING CONFIDENCE IN YOUR RETIREMENT

We are currently planning the 2016 investment seminar series. The educational section this year will be looking at saving, investing and managing risk, to build financial confidence in your retirement. Details will be on our website at the end of the month.

DID YOU KNOW...

Financial health

The start of a new year is a good time to review your financial health. Do you have a Will? Are you saving enough? Do you have too much or too little life insurance? These and other related topics are discussed in the different guides and educational articles on the SuperLife website.

January is also a good month each year to check that your nominated beneficiaries are up to date. Under the SuperLife superannuation scheme, should you die, we must pay the benefit to the people you have nominated. If your circumstances have changed, you may need to update your beneficiaries. The easiest way to do this is over the internet on the SuperLife member site. You can also phone 0800 27 87 37 and ask for a beneficiary update form.

Investment options

Under SuperLife there are 43 different Funds that members can choose to invest in. They can combine and change their choice, as they see fit. There are also 4 standard combinations (Mixes) of the Funds. While having 47 options introduces a high level of complexity, the options fall in to three groups, and most people

will fall naturally into one of the groups:

- Managed options, or “tick-the-box” options
- Sector Funds, that lets a member build their own strategy
- ETF Funds, that lets a member build their own portfolio.

Most members will naturally choose one of the managed options and choose the one that reflects their goals. If they are saving for their retirement, AIM^{Age Steps} is likely to be the better tick-the-box option. If they are primarily saving to help buy their first home, in the next three to four years, AIM^{First Home} is a logical choice. Under the managed options, there are also the standard conservative, balanced and growth, risk/retain options, known as SuperLife³⁰, SuperLife⁶⁰ and SuperLife⁸⁰, together with the socially responsible option, Ethica.

In contrast to the Managed options, the Sector Funds and ETF Funds let members create their own strategies and portfolios. This flexibility will not be for everyone, as it requires greater knowledge and involves more time, but has the advantage of being more personalised. These options let a member increase or reduce their exposure to a particular part of the investment markets, or to a style of investing.

Details of the investment options are on the website. Also, for help in choosing your investment option, check out the SuperLife investment guide on the website and plan on coming to one of the 2016 investment seminars.

SUPERLIFE APP

The new SuperLife App lets you stay up to date with your membership details at the touch of a button. It will be available this month. Check out the website for more details and how to get the application onto your phone.



Returns to 31 December 2015 (after tax and fees)

| | 3 years | 1 year |
|-------------------------|------------|--------|
| Cash | 2.7% p.a. | 2.7% |
| SuperLife ³⁰ | 4.4% p.a. | 4.4% |
| Ethica | 9.2% p.a. | 11.8% |
| SuperLife ⁶⁰ | 7.2% p.a. | 6.2% |
| OS shares (unhedged) | 15.5% p.a. | 11.7% |

NZ Super rates Since 1 April 2015 (net-of-tax at 'M')

Married couple

⇒ \$29,962 p.a.

Single person living alone

⇒ \$19,476 p.a.

Single person (sharing)

⇒ \$17,977 p.a.

MY FUTURE STRATEGY:

If I reviewed my investment strategy (i.e. my mix of cash, bonds, property and shares) today, and was concerned mainly with performance over the next 2 - 3 years rather than over the next 3 to 6 months, and in the context of having longer term return goals, I would be thinking about modifying my "normal" strategy by:

- Having cash for my anticipated expenditure, at least at the level I will need for the next 3 to 4 years. This reflects the view of increased risk in the markets. I expect that cash rates, will remain low over the next year, but cash provides greater certainty and bonds, property and shares are likely to be more volatile than normal.
- Holding less in bonds (and therefore more cash and shares), and favouring overseas over New Zealand bonds.
- Having an exposure to the property sector just above the neutral weight. In part this compensates for the lower bond exposure.
- Holding more shares and favouring Australasian shares over overseas shares, to benefit from the higher dividends of these markets. Within Australasia, I would continue to slowly build a bias towards Australia, even though Australia still appears to be 3 to 6 months off a recovery.
- Reducing my emerging market share exposure, for risk reasons, so it is no more than about 15% of my overall share exposure.
- Maintaining the currency hedge on my overseas shares to be above my neutral position.

The above strategy does not take into account an individual's personal situation.

Also, as with all investment decisions, what might be the right strategy over the medium term, may not be right over the very short term. We really don't know what will happen over the short term. Also, check out the latest investment strategy article on the website.

The above comments are from MCA, our investment consultant.

After-tax returns (SuperLife superannuation)

| Fund/Mix | Last quarter | Last 1 year (%) | Last 3 years (% p.a.) | Last 5 years (% p.a.) | Last 7 years (% p.a.) |
|---------------------------------|--------------|-----------------|-----------------------|-----------------------|-----------------------|
| Cash | 0.5% | 2.7% | 2.7% | 2.8% | 2.8% |
| NZ bonds | -0.3% | 4.0% | 3.7% | 4.9% | 4.8% |
| Overseas bonds | -0.4% | 2.1% | 2.0% | 3.4% | 3.8% |
| Overseas non-government bonds | 1.3% | 1.6% | 2.7% | 4.3% | 4.7% |
| Property | 4.4% | 9.3% | 10.7% | 12.1% | 11.3% |
| NZ shares | 12.7% | 11.2% | 12.3% | 13.0% | 13.9% |
| Australian shares | 1.7% | 15.0% | 1.0% | 1.0% | 5.9% |
| Overseas shares currency hedged | 7.9% | 2.7% | 12.2% | 8.7% | 11.3% |
| Overseas shares (unhedged) | 0.5% | 11.7% | 15.5% | 9.1% | 7.1% |
| Emerging markets | -4.6% | -0.5% | -0.3% | -3.9% | |
| Gemino | 6.3% | -10.3% | 2.2% | -2.8% | 3.8% |
| UK Cash | -6.5% | 8.0% | 2.8% | | |
| UK Income | -5.5% | 10.5% | 5.2% | | |
| UK Shares/Property | -2.1% | 6.4% | 3.9% | | |
| SuperLife ^{Income} | 0.3% | 2.5% | | | |
| SuperLife ³⁰ | 1.8% | 4.4% | 4.4% | 5.0% | |
| SuperLife ⁶⁰ | 3.7% | 6.2% | 7.2% | 6.7% | 7.3% |
| SuperLife ⁸⁰ | 3.8% | 7.6% | | | |
| SuperLife ¹⁰⁰ | 4.0% | 7.7% | | | |
| Ethica | 3.7% | 11.8% | 9.2% | 7.8% | 7.4% |
| AIM ³⁰ | 1.3% | 4.6% | 4.8% | 5.1% | 5.7% |
| AIM ⁶⁰ | 2.0% | 6.3% | 6.2% | 5.8% | 7.0% |
| AIM ⁸⁰ | 2.3% | 7.1% | 7.0% | 6.0% | 7.5% |
| AIM ^{First Home} | 0.5% | 2.9% | 3.2% | 4.5% | 4.4% |
| the D fund | 1.3% | 4.2% | 4.1% | 4.9% | 5.4% |
| smartConservative | 2.6% | | | | |
| smartBalanced | 4.7% | | | | |
| smartGrowth | 7.6% | | | | |
| NZ Cash ETF | 0.1% | | | | |
| NZ Bond ETF | -0.3% | | | | |
| Global Bond ETF | -0.9% | | | | |
| NZ Dividend ETF | 7.7% | | | | |
| NZ 50 Portfolio ETF | 10.9% | | | | |
| NZ Top 10 ETF | 7.8% | | | | |
| NZ MidCap ETF | 12.0% | | | | |
| NZ Property ETF | 2.7% | | | | |
| Aust Top 20 Leaders ETF | 1.3% | | | | |
| Aust Dividend ETF | -2.5% | | | | |
| Aust Financials ETF | 6.5% | | | | |
| Aust Property ETF | 1.3% | | | | |
| Aust Resources ETF | -11.7% | | | | |
| Aust MidCap ETF | 2.7% | | | | |
| Total World ETF | -0.5% | | | | |
| US S&P 500 ETF | 0.6% | | | | |
| Europe ETF | -2.2% | | | | |
| Asia Pacific ETF | 0.0% | | | | |
| US Growth ETF | -1.2% | | | | |
| US Value ETF | 3.4% | | | | |
| US MidCap ETF | -0.2% | | | | |
| US Small ETF | -2.3% | | | | |
| Emerging Markets ETF | -4.6% | | | | |

Where returns are not shown, the investment option was not available for the full period.

All returns quoted are after-tax at the top tax rate and after investment and asset related fees. An individual's returns may vary from the returns shown due to cash flows and different PIR tax rates. Past performance does not indicate likely future performance.

Investment strategy (SuperLife Funds)

The current investment allocations for the Managed Funds are:

