NEWS

to 30 June 2016

Investment returns *2016 seminars* *Financial Markets Conduct Act (FMCA)* *NZ Super Rates*

INVESTMENT RETURNS

Over the June quarter, the investment markets were "more of the same". Interest rates continued to go lower, and share markets and exchange rates were volatile, giving investors a bumpy ride.

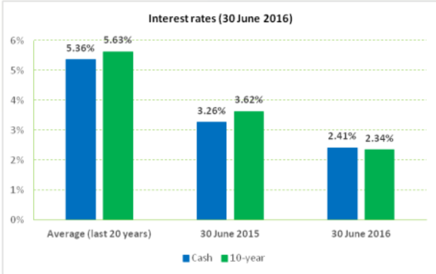
Share markets were generally positive, with global share markets up on average 0.3%, despite a negative return for June of -2.7%. The NZ market continued to be the standout performer and was up 2.1% over the quarter taking the annual return to 20.0% after tax. The negative global share market return for June can be put down to short-term events which created short term uncertainty. The British vote to leave Europe was a good example. The initial market reaction was to go down, in fear of what might lay ahead, yet four weeks after the vote on 23 June, the markets had recovered and moved on. We continue to emphasise that it is important for investors to look beyond the returns over a month or a quarter, and focus on the longer term.

Interest rates continued to decline. At 30 June the cash rate (i.e. 90-day rate) was 2.41% before tax, and the 10-year government bond yield was 2.34% before tax. These current rates compare to the average over the last 20 years of 5.36% and 5.63% respectively. When interest rates decline it is good for current bond investors, but not so good for future bond investors as the yields are lower. If an investor bought a 10-year government bond, the average return over the next 10 years would be 2.34%, less tax and less fees. The returns in individual years will vary around this average, reflecting movements in interest rates. At these levels, the interest received from cash and bonds is well under the dividend yields from shares (approximately 6% in NZ before tax). This has encouraged many long term investors to move money from cash and bonds to shares and property, and is one of the reasons for the local share market rising.

While the expected returns from shares are higher than those from cash and bonds over the next ten years, shares also come with a higher level of risk and the value of the shares will fluctuate. We believe that they are therefore more appropriate where the investor is unlikely to need to spend their capital for at least the next 7 to 8 years. If they may spend their capital over this time, cash and bonds are more likely to be the safer investment and investors should be willing to accept the lower return.

Returns to 30 June 2016
(after tax and fees)

	3 years	1 year
Cash	2.6% p.a.	2.3%
SuperLife[30]	5.9% p.a.	5.1%
Ethica	9.2% p.a.	7.0%
SuperLife[60]	7.3% p.a.	3.4%
NZ Shares	15.1% p.a.	22.3%



The Financial Markets Conduct Act (FMCA)

The law that governs SuperLife is changing. The Financial Markets Conduct Act 2013 (FMCA) replaces the Superannuation Schemes Act 1989. The FMCA became law in 2014 and all financial institutions (that includes us) are required to comply by 30 November 2016. We are targeting September 2016 as the effective transition dates for our KiwiSaver, Superannuation and Ascot products to move to the new regime.

The FMCA requires financial institutions to put your interests first, when they are providing investment services to you – something that has always been our core philosophy at SuperLife.

The changes do not require you to do anything and will not affect how you invest your funds with us. However, we are required to change the basis of information given to new members (investors) and to the way our business operates.

A key focus of the FMCA is to standardise the information provided to investors, to let them more easily compare the products and services of different providers. This means that current prospectuses and investment statements are replaced by a shorter document called a Product Disclosure Statement (PDS). PDSs are limited to 12 pages of content.

Also, between now and the end of the year, SuperLife Limited will be amalgamated with Smartshares Limited and Smartshares will become the manager. Smartshares has been granted a manager licence by the FMA and it makes sense to have just one manager within the NZX group.

A more detailed communication will go out to members shortly, and information about FMCA will also be available on the SuperLife website.

FINAL 2016 SEMINARS

The final investment seminars will be held in Nelson, Timaru, Christchurch, Napier/Hastings, Auckland and New Plymouth in September/October.

Details are on our website. You can register to attend a seminar online, or by emailing us at superlife@superlife.co.nz.

NZ Super rates
Since 1 April 2016
(net-of-tax at 'M')

Married couple
⇒ $30,780 p.a.

Single person living alone
⇒ $20,007 p.a.

Single person (sharing)
⇒ $18,468.32 p.a.

Keep track on line or on mobile

Get the My SuperLife app at the **App Store** or **Google Play** and then register your phone or tablet.

Get online access now at www.superlife.co.nz

PERFORMANCE

to 30 June 2016

SUPERLIFE
a Member of the NZX Group

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 more cash, and in particular sufficient cash for my anticipated expenditure, at least at the level I will need for the next 3 to 5 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 at the neutral weight.
- 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.
- Reducing my emerging market share exposure, for risk reasons, so it is no more than about 10% 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.

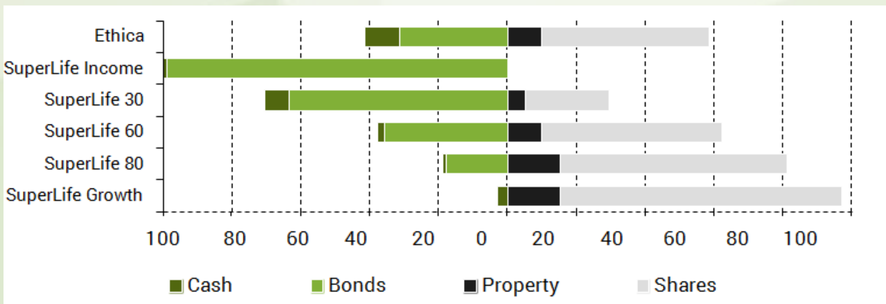
After-tax returns (SuperLife superannuation)

Fund/Mix	Last quarter	Last 1year (%)	Last 3 years (% p.a.)	Last 5 years (% p.a.)	Last 7 years (% p.a.)
Cash	0.5%	2.3%	2.6%	2.7%	2.7%
NZ bonds	1.4%	5.0%	4.7%	4.8%	5.3%
Overseas bonds	2.1%	6.8%	4.3%	4.4%	4.6%
Overseas non-government bonds	3.6%	8.1%	5.1%	5.1%	5.1%
Property	0.7%	10.7%	12.0%	11.9%	13.3%
NZ shares	1.0%	22.3%	15.1%	14.0%	15.3%
Australian shares	-3.1%	-4.9%	2.1%	0.9%	3.3%
Overseas shares currency hedged	-1.9%	-5.3%	7.6%	7.8%	10.3%
Overseas shares (unhedged)	-5.2%	-8.9%	8.3%	8.3%	7.1%
Emerging markets	-3.9%	-14.3%	1.8%	-1.6%	
Gemino	-2.4%	5.8%	6.8%	1.8%	2.0%
UK Cash	-6.9%	-13.0%	-0.7%		
UK Income	-5.9%	-6.8%	2.2%		
UK Shares/Property	-5.2%	-10.0%	2.2%		
SuperLife^{Income}	2.0%	6.3%			
SuperLife^{30}	1.0%	5.1%	5.9%	5.4%	
SuperLife^{60}	-0.2%	3.4%	7.3%	6.9%	7.6%
SuperLife^{80}	-1.1%	1.5%			
SuperLife^{100}	-1.9%	-0.8%			
Ethica	-0.2%	7.0%	9.2%	8.1%	7.6%
AIM^{30}	0.8%	4.0%	5.6%	5.4%	6.0%
AIM^{60}	-0.5%	1.5%	6.4%	5.8%	7.0%
AIM^{80}	-1.5%	-0.8%	6.7%	5.8%	7.4%
AIM$^{First\ Home}$	2.4%	6.4%	4.8%	4.8%	5.0%
the D fund	1.5%	4.9%	5.4%	5.2%	5.8%
smartConservative	0.7%	5.3%			
smartBalanced	0.5%	9.0%			
smartGrowth	0.4%	13.6%			
NZ Cash ETF	0.5%				
NZ Bond ETF	1.4%				
Global Bond ETF	1.9%				
NZ Dividend ETF	-0.4%				
NZ 50 Portfolio ETF	1.2%	17.4%			
NZ Top 10 ETF	2.2%				
NZ MidCap ETF	-0.3%				
NZ Property ETF	1.7%				
Aust Top 20 Leaders ETF	-4.2%				
Aust Dividend ETF	-5.1%				
Aust Financials ETF	-4.7%				
Aust Property ETF	1.2%				
Aust Resources ETF	5.5%				
Aust MidCap ETF	-0.8%	7.8%			
Total World ETF	--4.5%				
US S&P 500 ETF	-4.2%				
Europe ETF	-9.1%				
Asia Pacific ETF	-4.3%				
US Growth ETF	-5.0%				
US Value ETF	-3.2%				
US MidCap ETF	-4.2%				
US Small ETF	-3.2%				
Emerging Markets ETF	-3.5%				

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

Investment strategy (SuperLife Funds)

The current investment allocations for the Managed Funds are:



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