Quarterly Update

SUPERLIFE
a Member of the NZX Group

31 March 2022

Welcome

The government has appointed SuperLife as a Default KiwiSaver provider and we have now transitioned over 37,000 new members into the SuperLife KiwiSaver Default Fund. Welcome to our new members and a big thank you to customers who continue to support us.

Some of you have been asking about what's been happening in light of recent market volatilities. We can reassure you that our highly experienced investment team, led by our chief investment officer Stuart Millar, is constantly reviewing market conditions and how our investment strategies are working to manage risks for our customers.

After a number of 'good years', it's easy to forget that markets don't always move in a straight line. It's also easy to see how volatility and uncertainty can tempt investors to act hastily or even irrationally. It's natural to want to run for cover when you see markets tumble. But that's not always the best action to take.

Stay true to your investment goals. Reacting by making changes when the value is low will often make things worse. If you have long-term goals, are in the right asset classes, and know how much risk you can tolerate, then it's likely you'll have enough time for your investment to regain its value. I encourage you to take time to read our Product Disclosure Statement(s) found at superlife.co.nz. They can help you make informed choices of how you invest. Get in touch if you need help with choosing a fund and risk level that's right for you.

Enjoy the read!

Hugh Stevens, CEO, Smartshares

Do it online at
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Or email
superlife@superlife.co.nz

Or call
0800 27 87 37

Smartshares Limited is the issuer of SuperLife Invest, the SuperLife KiwiSaver scheme, the SuperLife UK pension transfer scheme and the SuperLife workplace savings scheme. The Product Disclosure Statements and Fund Updates for these schemes are available at www.superlife.co.nz/legal-doc.

Market update

In our last update we talked about how inflation will be the driver behind how aggressive the Federal Reserve (the Fed operates like a central bank) will be when it raises interest rates.

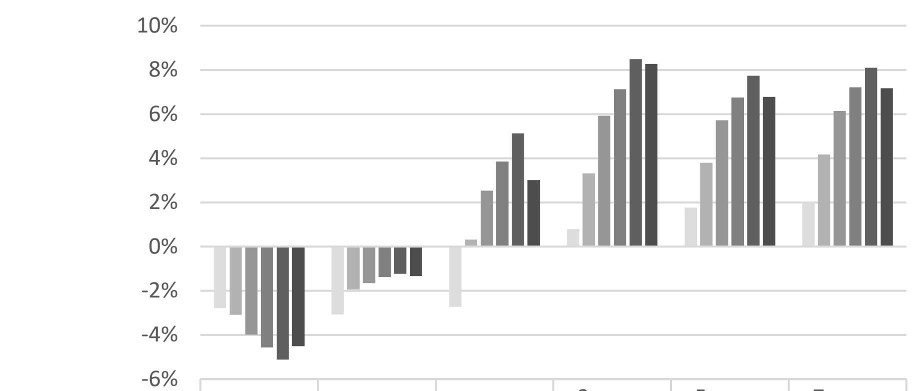
Given there are increasing signals that inflation is no longer a transitory event in the U.S., a rising concern is whether the Fed's planned successive interest rate increases will throttle an economy still in recovery mode.

The key drags on U.S. and global economic growth are unchanged: disruptions to the production and movement of goods and services caused by COVID and its variants; and weak consumer sentiment affecting consumption.

A worst-case scenario paints higher inflation crippling economic growth in the US and the world, leading to an era of high inflation and low growth, or stagflation. A more optimistic view sees inflation as a temporary event, and the economy will resume its upward trajectory from before Russia and Ukraine caused the current headwinds.

Return (%) as at 31 March 2022	Q1 2022	1 Year	3 years (p.a)
Equities			
International equities			
FTSE Developed All Cap Index	-5.3%	8.5%	14.9%
FTSE Emerging Markets All Cap China A Inclusion Index	-5.5%	-7.0%	6.2%
S&P 500 Index	-4.6%	15.6%	18.9%
VIX Index (measure of volatility)	19.4%	6.0%	14.5%
Australasian equities			
S&P/NZX 50 Gross Index	-7.1%	-3.6%	7.1%
S&P/ASX 200 Index	2.2%	15.0%	10.6%
Fixed Interest			
International fixed interest			
Bloomberg Global-Aggregate Index	-6.2%	-6.4%	0.7%
U.S. 10-year government bond yield (%)	2.338%	1.510%	1.740%
New Zealand fixed interest			
S&P/NZX A-Grade Corporate Bond Total Return Index	-2.9%	-5.2%	0.2%
NZ 10-year government bond yield (%)	3.222%	2.388%	1.810%

SuperLife Diversified Fund returns as at 31 March 2022 (Note: past returns are not indicators of future performance)



	3 Months	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)
Income	-2.78%	-3.08%	-2.72%	0.79%	1.77%	2.05%
Conservative	-3.09%	-1.94%	0.31%	3.31%	3.80%	4.17%
Balanced	-3.99%	-1.65%	2.53%	5.92%	5.72%	6.14%
Growth	-4.57%	-1.39%	3.85%	7.13%	6.75%	7.21%
High Growth	-5.13%	-1.23%	5.13%	8.48%	7.74%	8.10%

THOUGHTS ON INVESTMENT

Given the markets are expected to stay volatile, returns will be lacklustre. One reality of having investments is coping with fluctuating returns. What the market is experiencing is, and will be, no different to any other times in the tumultuous life cycles of financial markets.

In New Zealand, COVID's entrance in 2020 caused havoc, and panic. But investors who sold or moved out of their investments had to absorb their losses. Those who resisted the urge to switch, got to witness the sea of red returned to black.

How we watch over your investments

At Smartshares, we have an investment oversight team whose job is to continuously put our investment strategies under stress tests. This exercise keeps us vigilant, and helps reduce the impact of volatile markets on our members' assets.

Last August we did three things as we anticipated changes in the interest rate environment:

1. We started to increase the amount we invest in cash and cash equivalents and reduced investments in fixed assets in our diversified and Age Steps fund to reduce members' exposure to rising interest rates.
2. We reduced our holdings in Australasian and international equities, and increased investments in infrastructure and listed property funds. Infrastructure and listed property funds generally perform better in periods of higher inflation.
3. We reduced our currency hedging target as the New Zealand dollar tends to fall when markets are more risk averse. This means there will be natural hedge against losses in the international markets as our currency falls.

Key takeaways

- Given the markets move in cycles, it is crucial to have a diversified portfolio – this means being invested in different types of assets, in various geographies. Diversified funds are less prone to the effects of geopolitical and economic risks. The SuperLife Income and SuperLife Conservative funds are designed with exactly this type of market volatility in mind.
- As world central banks raise interest rates, bonds will be affected as investors adjust their outlook for interest rates and inflation. Government bonds tend to do better than corporate bonds in an uncertain environment and can offset losses in stocks should the situation worsen. Bonds now offer the highest yields in nearly five years.
- This part of the investment cycle favours defensive stocks that can weather rising input costs. This include listed property and infrastructure stocks that have long-term leases and long-term fixed borrowing rates. Stock market valuations (particularly in growth sectors such as technology) are much more attractive than they were.
- The markets will take time to gain comfort that central banks can successfully rein in inflation without negatively affecting economic growth.

RETURNS AFTER TAX, COSTS AND FEES

SuperLife workplace savings scheme for the period ended 31 March 2022.

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	3 Months	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)
SuperLife Income	-2.78%	-3.08%	-2.72%	0.79%	1.77%	2.05%
SuperLife Conservative	-3.09%	-1.94%	0.31%	3.31%	3.80%	4.17%
SuperLife Balanced	-3.99%	-1.65%	2.53%	5.92%	5.72%	6.14%
SuperLife Growth	-4.57%	-1.39%	3.85%	7.13%	6.75%	7.21%
SuperLife High Growth	-5.13%	-1.23%	5.13%	8.48%	7.74%	8.10%
Ethica	-4.51%	-1.34%	3.01%	8.27%	6.78%	7.17%
S&P/NZX 50	-7.61%		-4.44%			
NZ Shares	-5.72%	-7.57%	-2.07%	5.74%	7.26%	9.47%
NZ Top 50	-5.76%	-7.60%	-2.11%	7.89%	11.24%	10.82%
NZ Top 10	-7.67%	-9.71%	-6.56%	5.87%	9.62%	
NZ Mid Cap	-7.93%	-8.30%	-1.12%	7.01%	11.15%	
NZ Dividend	-1.41%	-0.99%	5.33%	5.15%	7.36%	
NZ Property	-5.49%	-4.67%	0.13%	6.95%	10.10%	
S&P/ASX 200	1.70%		11.19%			
Australian Shares	0.90%	6.15%	14.41%	10.08%	7.21%	8.74%
Australian Top 20	4.61%	8.80%	12.35%	10.64%	6.68%	
Australian Mid Cap	-2.82%	6.12%	15.62%	15.23%	10.77%	11.59%
Australian Dividend	3.23%	10.74%	10.08%	5.81%	2.83%	
Australian Financials	4.95%	5.85%	14.55%	10.42%	3.14%	
Australian Resources	19.16%	34.07%	23.67%	13.84%	15.49%	
Australian Property	-4.48%	4.27%	13.45%	5.11%	6.57%	

Fund	3 Months	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)
US 500	-5.77%	4.03%	16.63%	16.89%	14.62%	
US Large Growth	-11.97%	-2.45%	13.92%	21.06%	18.17%	
US Large Value	0.39%	8.34%	14.65%	11.98%	10.53%	
US Mid Cap	-7.39%	-1.52%	9.13%	13.44%	11.45%	
US Small Cap	-7.25%	-4.34%	0.81%	10.70%	9.93%	
Overseas Shares	-6.56%	-1.17%	6.81%	10.86%	9.70%	9.18%
Overseas Shares (Currency Hedged)	-4.76%	0.75%	8.16%	9.85%	8.39%	7.99%
Total World	-6.33%	-1.67%	6.12%	11.49%	9.98%	
Total World (NZD Hedged)	-5.70%		6.57%			
Asia Pacific	-6.49%	-7.26%	-6.68%	4.56%	4.33%	
Emerging Markets	-6.32%	-5.34%	-7.63%	3.82%	4.28%	4.46%
Europe	-9.84%	-5.57%	1.35%	5.96%	5.51%	
Global Property	-4.20%	3.05%	11.66%	5.13%	7.13%	7.06%
NZ Bonds	-2.20%	-3.10%	-3.66%	0.51%	1.94%	2.38%
S&P/NZX NZ Government Bond	-3.41%		-5.19%			
Overseas Bonds	-3.78%	-3.82%	-3.19%	1.05%	1.79%	
Overseas Non-government Bonds	-4.71%	-4.71%	-3.46%	0.71%	1.36%	
Global Aggregate Bond	-5.49%		-5.48%			
NZ Cash	0.22%	0.36%	0.64%	0.95%	1.31%	
UK Cash	-3.31%	-2.64%	-3.05%	-0.72%	0.67%	

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 will happen over the short term. Those acting upon the information in this newsletter do so entirely at their own risk. SuperLife does not accept liability for the results of any actions taken or not taken based on this information. While every effort has been made to ensure accuracy, no liability is accepted for errors or omissions in this newsletter.