

## MESSAGE FROM THE TRUSTEES

Welcome to the April 2016 Fund newsletter, which now incorporates some additional investment information previously provided in the monthly investment updates.

In September this year the Fund is undergoing a transformation as we adapt to the new legislation under the Financial Markets Conduct Act. As part of the change we will be renaming the Fund.

The trustees considered different options and surveyed a number of members and as a result the Fund will be renamed the NZAS Retirement Fund.

A new Investment Insights video has been issued. In this video, two investment consultants from Mercer talk about what's been happening in financial markets and how this is affecting investors in New Zealand.

Thank you to everyone who completed the recent Fund survey. Your feedback is valued and where possible, we will endeavor to incorporate your suggestions into future Fund communications.

A summary of the results will be available on [realsuper.superfacts.co.nz](http://realsuper.superfacts.co.nz) in due course.

We trust you find the newsletter's revised format easy-to-use. We welcome suggestions for topics and additional information for future Fund newsletters. Please either talk to one of the trustees or email your ideas or suggestions to [rtnzrf@mercer.com](mailto:rtnzrf@mercer.com).

## INVESTMENT OPTION RETURNS TO 31 MARCH 2016

The table below shows the returns after tax and investment related expenses for each investment option for the Fund year to date, one year and as an average annual return over three, five and 10 years.

	Growth	Balanced	Conservative	Cash
Fund year-to-date (9 months)	1.8%	2.2%	2.8%	1.6%
Year	3.8%	3.5%	3.5%	2.3%
3 years (p.a.)	11.2%	8.6%	6.1%	2.4%
5 years (p.a.)	8.8%	7.1%	5.4%	2.4%
10 years (p.a.)	4.6%	4.9%	4.9%	3.3%

After a slow start to the calendar year, all investment options ended the March quarter in positive territory. The sound Fund year-to-date and one year returns from the Conservative option reflect recent returns from fixed interest investments.

## Markets show signs of stabilising

The mixed returns from asset classes referred to in our August newsletter continued until mid-February when markets staged a recovery which continued through until the end of the March quarter.

[Read more.](#)

## FUND PERFORMANCE

The trustees monitor the Fund's investment performance. To see how it's doing they compare:

- the performance of the investment managers against the return which could have been achieved by investing in the index for each asset class and
- the Fund's performance with that of other similar schemes.

### Investment managers' performance

The performance of the Fund's investment managers is measured by comparing the *before tax and expenses* return from each asset class against the relevant index (referred to as the benchmark return) for that asset class. For example, the return from Trans-Tasman shares is measured against the S&P/NZX 50 Index.

To see how the Fund managers have performed, [click here](#).

### Investment options' performance

The performance of each investment option (other than Cash) is measured against the median performance of surveyed KiwiSaver funds with similar mixes of investments.

To see how the Fund's performance compares, [click here](#).



#### FMC Act update

Preparation for the new FMC Act regime is well underway. Work on the new trust deed is proceeding well and reviews of the investment and administration agreements have been started. We intend that the Fund will fully comply from 1 October 2016, two months ahead of the official deadline of 1 December 2016.

We don't expect you to notice many changes once the Fund transitions to the new regime. The main differences will be that the timeframes within which the financial statements and annual membership statements must be issued will be shortened and that the investment statement will be replaced by a Product Disclosure Statement (PDS).

The PDS must not exceed 6,000 words. It must use clear language and enable you to understand the Fund's investment aims (including the balance between risk and return) and fees.

If you have any questions about the FMC Act and its impact on the Fund, please call the Fund helpline **0508 266 787**.



Set out below are answers to some of the questions asked in responses to the recent survey.

**Q. Could deductions from our account balances be shown on our annual benefit statements so we know what we are getting charged for?**

**A.** You'll be pleased to know that amounts deducted from your account balances are shown on your annual benefit statement.

Expenses deducted from your accounts are:

- Insurance charges, which depend on the level of cover you have selected; and
- Withdrawal fees (only applicable if you are a retirement account holder).

These are the only deductions made from your accounts because your employer pays all Fund administration costs.

The only other fees affecting your returns are investment fees which are deducted from investment earnings. The fee varies depending on the investment option you choose.

**Total investment fees**

Cash	0.31%
Conservative	0.54%
Balanced	0.67%
Growth	0.74%

**Q. It's a waste of money printing documents, why not just email?**

**A.** As much as possible, information about the Fund is emailed to members. Current legislation requires that the 2016 annual report be issued as a printed document. Once the Fund complies with the Financial Markets Conduct Act (2017 onwards) the annual report can be sent via a hyperlink.

**Q. It takes me at least 10 minutes to find the Fund website from an external internet browser, can you suggest a quicker way to find it?**

**A.** To access [realsuper.superfacts.co.nz](http://realsuper.superfacts.co.nz) from an external browser, we recommend including a reference to "NZ" in the search term (eg Rio Tinto NZ Super) and using the [Google.co.nz](http://Google.co.nz) website rather than [Google.com](http://Google.com).

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**Q. I'm not very computer literate and struggle to find my way around the Fund website, can you help please?**

**A.** Once you've signed in to [realsuper.superfacts.co.nz](http://realsuper.superfacts.co.nz), scroll down to the bottom of the page and click on the topic you're looking for. It's as easy as that!



Answers to other questions raised in the survey will be included in future Fund newsletters.

General disclaimer: Information in this newsletter is not intended to be financial advice or take the place of a financial adviser. The information in this newsletter is for general information only, and has been prepared without taking account of your personal objectives, circumstances or needs. More information about the Fund can be found in the most recent Investment Statement, a copy of which is available at [www.realsuper.superfacts.co.nz](http://www.realsuper.superfacts.co.nz). NB: Past performance cannot be relied upon as a guide for future performance.

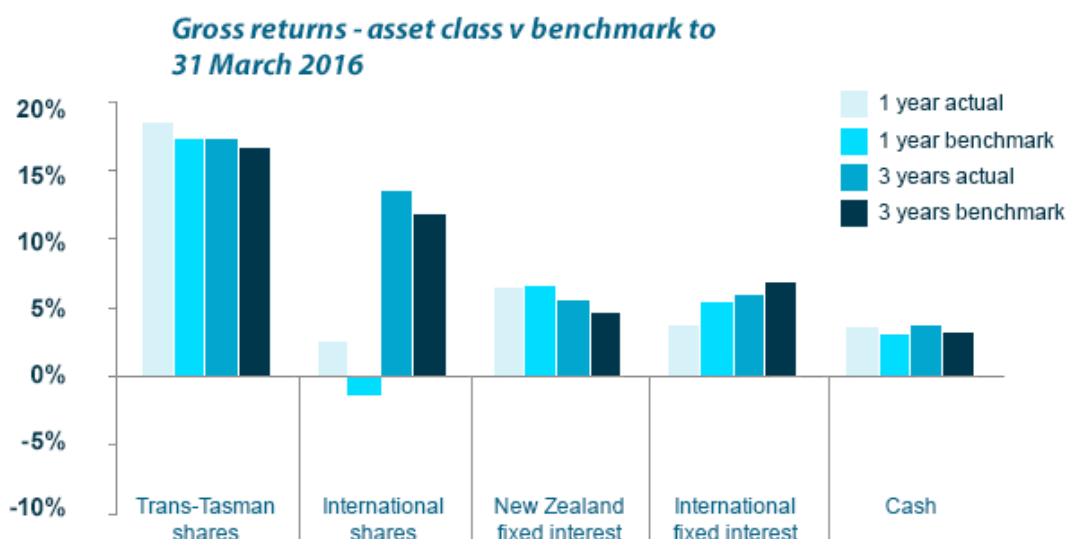
FOR MORE INFORMATION CALL NZ: 0508 266 787 AUS: 03 8681 1849 INTERNATIONAL: +61 3 8681 1849 OR VISIT: [WWW.REALSUPER.SUPERFACTS.CO.NZ](http://WWW.REALSUPER.SUPERFACTS.CO.NZ)

# INVESTMENT MANAGERS' PERFORMANCE



The chart below shows that most asset classes have performed in line with (plus or minus 1%) their respective indices aside from international shares and international fixed interest.

Over one year international shares outperformed its benchmark by 3.8%, posting a return of 2.5% compared with a benchmark return of -1.3%. The index for each asset class is available [here](#).



The Fund's current investment managers are:

Asset class	Investment manager
Trans-Tasman shares	Harbour Asset Management Limited ANZ New Zealand Investments Limited
International shares	ANZ New Zealand Investments Limited
Real assets	Mercer (N.Z.) Limited
New Zealand fixed interest	AMP Capital Investors (New Zealand) Limited
International fixed interest	Mercer (N.Z.) Limited AMP Capital Investors (New Zealand) Limited
Cash	AMP Capital Investors (New Zealand) Limited

# MARKETS SHOW SIGNS OF STABILISING



The mixed returns from the major asset classes referred to in our August newsletter continued until mid-February, when share markets staged a recovery that continued through until the end of the March quarter.

## What made markets so volatile?

Four distinct factors contributed to market volatility.

- **Falling oil prices**, which are great if you are filling up your car and also benefit New Zealand businesses by reducing freight costs. An over-supply globally saw prices fall which put downward pressure on share markets.
- **Slowing Chinese growth**, as a lot of countries around the world rely on China to buy the goods they produce, a slowdown in China has a negative impact globally.
- **Rising US interest rates** - as a first step to normalizing interest rates the US Federal Reserve lifted interest rates by 0.25% in December. The much anticipated move was the first rate increase since 2006. While the US economy has continued to improve since the rate rise, recent reports have shown some signs of weakness, with business confidence and growth rates weaker than expected.
- **Negative Japanese interest rates**, which the Bank of Japan introduced to discourage the populace from hoarding money and instead encourage spending to help stimulate the economy.

## ... and what was behind the recovery?

- **Improving oil prices** as Saudi Arabia and Russia reached a preliminary agreement to freeze oil prices.
- **Stabilising growth in China** as China's central bank signaled that they don't see the need for continued depreciation in the Chinese yuan.
- **Lowering long-term US interest rate expectations** as the US Federal Reserve reduced the number of interest rate rises from four to two, with the next not due until June at the earliest.

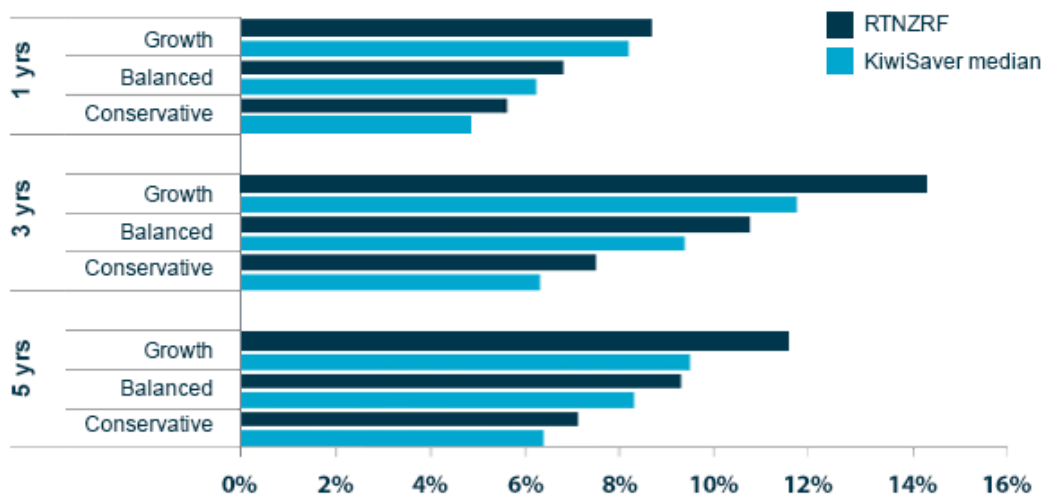
# INVESTMENT OPTIONS' PERFORMANCE



The chart below compares the performance of each of the Fund's diversified investment options (Growth, Balanced and Conservative) before tax and after investment management fees, against the median (middle) return from KiwiSaver investment funds with a similar mix of investments, for periods ended 31 December 2015.

The chart shows that the Fund's investment options have outperformed each relevant KiwiSaver median over all periods measured. Of particular note is the performance of the Growth option, which has exceeded the median KiwiSaver Growth option by 2.8% pa over three years and 2.1% pa over five years.

**Investment option performance over 1, 3 & 5 years v. median KiwiSaver scheme\* to 31 December 2015**



**KiwiSaver median\*** means the median fund, for each of the periods noted, in the relevant category (Growth, Balanced or Conservative) in the Mercer KiwiSaver Survey (prepared quarterly)