

INSIGHTS

April 2017

NZAS
RETIREMENT FUND
Your Super. Your Future.

NEWSLETTER – APRIL 2017

Welcome to the April 2017 Fund newsletter. Read on for the latest news and information about the Fund and your retirement savings.

INVESTMENT OPTION RETURNS TO 28 FEBRUARY 2017

Despite concerns about the impact Brexit and President Trump's election could have on financial markets, as the table below shows, the Fund's investments have continued to post sound returns.

The table shows the returns (after tax and investment related expenses) for each investment option for the period 1 July 2016 to 28 February 2017, for the 12 months ended 28 February 2017 and as an average annual return over the three, five and 10 years ended 28 February 2017.

28 February 2017	Growth	Balanced	Conservative	Cash
Fund year-to-date (8 months)	8.1%	5.4%	2.9%	1.1%
1 Year	13.6%	9.8%	6.1%	1.7%
3 Years (p.a.)	9.8%	7.6%	5.6%	2.2%
5 Years (p.a.)	11.7%	8.9%	6.2%	2.3%
10 Years (p.a.)	4.8%	4.9%	4.7%	3.0%

WHAT'S NEXT FOR BREXIT

In October 2016, Theresa May, the UK Prime Minister, announced that the formal process for exiting the European Union would begin no later than the end of March, prompting two years of negotiations that would end with Brexit in 2019. That process duly began on 29 March 2017.

The first point of disagreement between the UK and its European partners may well be the exit payment the UK will need to make to settle existing liabilities. The European Commission's chief Brexit negotiator has indicated that the UK may be asked to pay up to €60 billion to cover the cost of existing commitments.

... AND PRESIDENT TRUMP?

To the surprise of most market commentators the US share market reacted positively to Trump's election, encouraged by an election manifesto which included tax cuts, spending on infrastructure, and scrapping or renegotiating trade deals.

Trump has already put in place a range of unilateral executive orders covering matters such as a reshuffle of the national security team and a highly controversial travel-ban aimed at keeping the US free of terrorists.

THE IMPACT ON FUND RETURNS

Concerns that other countries may follow Britain's lead and exit the European Union have impacted on returns from the Eurozone. While most share markets, and the US share market in particular, have performed well since President Trump's election, it's been a different story for bonds (fixed interest) which in February posted their first positive return since the Presidential election. As a result, the Growth and Balanced investment options have outperformed their Conservative and Cash counterparts.

ANSWERS TO QUESTIONS ABOUT THE FUND'S INVESTMENTS

What does liquidity mean and why does the Fund need liquid assets?

Liquidity describes the degree to which an asset or security can be quickly bought or sold. Liquidity is one of the factors taken into account when the Trustee determines an appropriate strategy for the Fund's overall investments. The Fund needs liquid assets both:

- to meet payments such as operating expenses; and
- to rebalance the investment options back to their benchmark (or target) asset allocations as required.

The Fund's primary source of liquidity is its cash investments. Cash investments also provide a stable return with low volatility. The Fund's investment strategy also supports its liquidity requirements by predominantly investing in listed securities, which are easier to sell.

Why do bond prices fall when interest rates rise?

Historically, bond (fixed interest) prices and interest rates move in opposite directions. This happens because as interest rates rise, newly issued bonds carry a higher interest rate than previously issued bonds, causing the prices of older bonds to drop as they become relatively less attractive to investors. Conversely, older bonds become relatively more attractive than newer bonds issued after interest rates fall. The greater the magnitude of change in interest rates, the larger the impact on a bond's price. Longer maturity bonds are more sensitive to interest rate risk than shorter maturity bonds because they have a longer time before the principal is paid back to the investor.

Information about the Fund's investment policies and objectives is set out in its Statement of Investment Policy and Objectives available [here](#)

HAVE YOU SEEN THE LATEST INVESTMENT INSIGHTS VIDEO?

The next video in the Investment Insights series will be uploaded in late April or early May. In these videos, two investment consultants from Mercer talk about what's been happening in financial markets and how this is affecting returns on the Fund's investments.

HINTS FOR CREATING A STRONG PASSWORD

These days it seems as though almost everything needs a password. Below are some tips for creating a password which is easy to remember and difficult to guess.

- Use more than one word with no spaces.
- Choose words or a phrase unrelated to your personal information.
- Use numbers, symbols and a mix of upper and lower case letters. Select a random word or phrase and insert letters and numbers into the beginning, middle, and end to make it extra difficult to guess (such as "sPo0kyh@ll0w3En").
- Don't use simple words or phrases like "password" or "letmein", keyboard patterns such as "qwerty" or "qazwsx," or sequential patterns such as "abcd1234".
- Use phonetics in the words or avoid spelling words correctly, e.g. "lthawtbetaofgointothebeech@Piha2day".
- Use first letters of a phrase. For example, "The first house I ever lived in was 613 Fake Street. Rent was \$400 per month" would become "Tfhleliw613FS.Rw\$4pm".

FINANCIAL MARKETS CONDUCT ACT (FMC ACT) UPDATE

With the transition to the new regime successfully completed, our focus is now turning to managing the revised timetable for the Fund's annual review and the additional information required in the annual report. The new legislation also requires an annual fund update to be issued for each of the Fund's four investment options. The fund updates need to be issued by 30 September 2017.

The purpose of each fund update is to show how the relevant investment option has performed, and the fees charged, in a standard format to allow easy comparison with other schemes.

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 (and its Trustee and issuer NZAS Retirement Fund Trustee Limited) can be found in the most recent Product Disclosure Statement, a copy of which is available at www.realsuper.superfacts.co.nz and www.companiesoffice.govt.nz/disclose.

NB: Past performance cannot be relied upon as a guide for future performance.