

MESSAGE FROM THE TRUSTEE

Welcome to the December 2016 Fund newsletter.

We are pleased to advise that the Fund transitioned to the new Financial Markets Conduct Act (FMC Act) regime on schedule on 23 September 2016. For further information refer to the Notice to members on page 2 of the Fund's annual report.

As part of the transition the Fund's individual trustees have been replaced by a corporate trustee, NZAS Retirement Fund Trustee Limited, with the current trustees becoming directors of the trustee company rather than individual trustees. Contact details for the directors are available by selecting Trustee contact details on the home page of www.realsuper.superfacts.co.nz

As the table below shows, investment markets have started the new Fund year on a volatile note, reflecting the unexpected outcome of the British referendum to gauge support for the country's continued membership of the European Union and Donald Trump's surprise election as the next US President.

INVESTMENT OPTION RETURNS TO 30 SEPTEMBER 2016

The table shows the returns (after tax and investment related expenses) for each investment option for the period 1 July to 30 September 2016, for the 12 months ended 30 September 2016 and as an average annual return over the three, five and 10 years ended 30 September 2016.

| | Growth | Balanced | Conservative | Cash |
|------------------------------|--------|----------|--------------|------|
| Fund year-to-date (3 months) | 4.0% | 2.9% | 1.8% | 0.4% |
| Year | 10.9% | 8.6% | 6.6% | 1.9% |
| 3 years (p.a.) | 10.6% | 8.4% | 6.3% | 2.3% |
| 5 years (p.a.) | 12.6% | 9.6% | 6.8% | 2.3% |
| 10 years (p.a.) | 4.9% | 5.1% | 4.9% | 3.1% |

HAVE YOU SEEN THE INVESTMENT INSIGHTS VIDEOS?

The next video in the Investment Insights series will be uploaded in the New Year. In these videos, two investment consultants from Mercer talk about what's been happening in financial markets and how this is affecting investments.

AFTER BREXIT

The Brexit victory sent economic shockwaves through global markets in June and Britain lost its top AAA credit rating. But the Bank of England cut interest rates and took other emergency steps to stop the UK from slipping into a recession. UK economic growth held up better than expected immediately after the Brexit vote, particularly consumer spending and services. However, growth is projected to slow due to increased political and economic uncertainty. Slower growth will mean higher public borrowing over the next few years.

...AND THE US ELECTION

US voters went to the polls on 8 November 2016 and elected Donald Trump as the next president. Voters also delivered Republicans control of both houses of Congress.

In a repeat of the Brexit vote in the UK, Trump's election shocked most pundits and pollsters. Similarly, markets plunged, although they subsequently rebounded on the back of expectations for 'business-friendly' changes in policy. The market expected gridlock from a Clinton administration and a Republican House, but the Republican sweep results in more potential for these policy changes.

With the lack of clarity surrounding policy details, markets are likely to be volatile reflecting the uncertainty of what a Trump administration will look like.

NEGATIVE INTEREST RATES

Since the global financial crisis of 2008/2009, central banks have been keeping interest rates artificially low to try and stimulate growth and ward off the threat of deflation, which means falling prices associated with weak economic growth. Like individuals keeping accounts at a local bank, trading banks hold their unused cash at central banks like the US Federal Reserve, the European Central Bank and the Bank of Japan. Generally trading banks receive a small amount of interest in return but when interest rates are negative, central banks charge a fee instead.

The aim of negative interest rates is to encourage banks to lend money to households and businesses, lowering the cost of borrowing for everyone and encouraging economic growth.

MAKING THE DREAM OF OWNING YOUR HOME A REALITY – CHANGES TO RULES FOR WITHDRAWALS BY PREVIOUS HOME OWNERS

If you have owned property before but have been a member of the Fund and/or KiwiSaver for three or more years and have never made a first home withdrawal, then you may be permitted to make a first home purchase withdrawal from your locked-in accounts if Housing New Zealand determines that you are eligible.

This means that if you are buying a house in a location where the house price cap is \$400,000 (and this includes Invercargill and all of Southland) then the total the value of all belongings that you can sell to help buy a home (such as money in bank accounts, shares, investments in banks or financial institutions, a boat or a caravan) cannot exceed \$80,000.

Recently, important changes have been made to the eligibility rules for members in this situation:

- The income limits that previously applied have been removed, meaning previous home owners with low to moderate levels of realisable assets can now qualify to access savings to buy a home regardless of income.
- A realisable assets limit of no more than 20% of the regional house price cap still applies, but the house price cap (previously \$350,000) has been increased to \$400,000.

If you currently own a home or land or have an interest or a share in a property, you are not eligible for this feature.

It is also important to note that income limits continue applying with respect to KiwiSaver HomeStart grants – they have been removed solely with respect to withdrawals.

YOUR NZAS RETIREMENT FUND ACCOUNT ONLINE

It is great to see so many members using the website to check their balances, update their details or change investment options. To-date in 2016, the site has received 3,330 hits.

The results of the latest survey indicated that you would like to hear more about the website's features and where to go to find more information about your account.

To sign in to your account you need:

1. your membership number (shown on your annual membership statement); and
2. your PIN. You can choose your own PIN and change it at any time.

If you have forgotten your membership number, call the Helpline team on 0508 266 787.

If you have forgotten your PIN and the Fund's administration manager (Mercer) has your email address on file, you can change it at any time. Otherwise please call the Helpline team on 0508 266 787.

View up-to-date information about your savings in the Fund

You don't need to wait for your annual membership statement for an estimate of your benefits and details of your current account balances. Simply sign in to www.realsuper.superfacts.co.nz

When you sign in you will be taken directly to the **Your super** page. By selecting the appropriate blue tab (in the top left hand corner) you can see an up-to-date:

- estimate of your benefits
- summary of your account balances and
- list of day-by-day transactions for the current Fund year.

Change your investment options online

You can change where your accounts are invested at any time, and at no cost to you. Simply sign in, select the **Investments** tab (from the grey menu bar at the top of the page) and then select 'Change your investments'.

Update your contact details

It's important that we hold your current contact details so that you receive information about the Fund as soon as possible. You can update your contact details by signing in to www.superfacts.co.nz selecting the Personal details tab and then scrolling down to **Update your current details**.

Download forms

To download a form, for example to apply for a First Home Withdrawal, go to www.realsuper.superfacts.co.nz and, click on the **Documents and Forms** tab and then select 'Member forms'.

FEES UPDATE

Over time even a 1% difference in returns can make a significant difference to your final benefit. That's why it's good to know that most of the administration and other non-investment related fees and expenses associated with the NZAS Retirement Fund are paid by your employer.

In the year ended 30 June 2016, Fund expenses totalling \$607,324 (excluding GST) were paid by NZAS, which was about 78% of the total operating expenses of the Fund.

The only expenses that affect members' benefits from the Fund are investment related expenses and insurance premiums.

The premium for your death, total disablement and ill-health insurance cover (if applicable) is the only fee deducted directly from your accounts each year. The insurance premiums paid by members in the year ended 30 June 2016 totalled \$476,180.

You also pay fund charges which cover:

- investment management fees and expenses, and
- investment consulting and investment advisory costs,

and which differ depending on the fund(s) you have chosen to invest in (these fees are not deducted directly from your accounts but are deducted from investment earnings before they are applied to your accounts).

With 68 retirement account holders as at 30 November 2016, we consider it important we continue to help these members to maintain an income stream to supplement their lifestyle. To this end, we have removed all withdrawal fees for retirement account holders. This change was effective 23 September 2016 when the Fund transitioned to the FMC Act regime.

FUND REVIEW

The end of the year can be a good time to review your Fund membership. A good way to start is to spend five minutes checking your account on www.realsuper.superfacts.co.nz

1. Check that your investment option or combination of options (as shown on the Investments page) is still appropriate for your current circumstances.
2. If you have locked-in accounts, check the **Contributions** page to ensure you are on track to contribute at least \$1042.86 to your locked-in member account between 1 July 2016 and 30 June 2017 so that you qualify for the full member tax credit of \$521.43
3. Review your death and total disablement cover (refer to the **Insurance** page for the amount of your current cover) to ensure it is appropriate for your circumstances.
4. View your nominated beneficiaries (on the **Beneficiaries** page) to see whether they are consistent with your Will.
5. Check your contact information on the **Personal details** page is correct and rectify it if necessary.

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 Product Disclosure Statement, a copy of which is available at www.realsuper.superfacts.co.nz.

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