

RIO TINTO NEW ZEALAND RETIREMENT FUND NEWSLETTER SEPTEMBER 2015



INVESTMENT MARKET UPDATE

The June quarter saw mixed returns from the major asset classes.

International shares (in New Zealand dollar terms) provided the highest return, aided by a sharp drop in the value of the New Zealand dollar during the quarter. Returns from international fixed interest (bonds) were negative as longer-term interest rates rose.

Investors had to consider a mix of economic data during the quarter. Stronger growth, inflation and retail figures indicated that the US economy continues to improve. Added to this was an excellent return from the Japanese share market, up 5.2% over the quarter. On the downside was the lowest growth in China's economy in decades and concerns regarding the Eurozone and the potential for Greece to default on its debt repayment.

CHANGES TO THE FUND'S INVESTMENTS

Following a review, the asset allocations for the Conservative, Balanced and Growth investment options have been altered.

With effect from 1 May 2015, assets previously invested in international listed infrastructure (with Lazard Asset Management) and international listed property (with CBRE Clarion Real Estate Securities (via ANZ)), have been transferred to a new asset class, real assets, managed by Mercer Investments.

Zooming in on real assets

What are real assets?

Real assets include investments in property and infrastructure (listed and unlisted for both sectors) and natural resources.

Why is the Fund investing in real assets?

Although the Fund already invested in listed property and listed infrastructure, the addition of unlisted assets and natural resources (including timber) allows the assets to be diversified across a wider range of products and managers. In addition, the introduction of unlisted assets is expected to reduce the overall volatility of the Fund's returns and to help provide protection against losses when markets are weak.

Has the introduction of the new asset class changed the investment options' asset mixes?

The percentages of assets the Conservative and Balanced options hold in real assets have been increased and the percentages held in shares (particularly New Zealand shares) reduced accordingly. Because of the size of our share market, it is difficult to achieve much diversification in New Zealand shares.

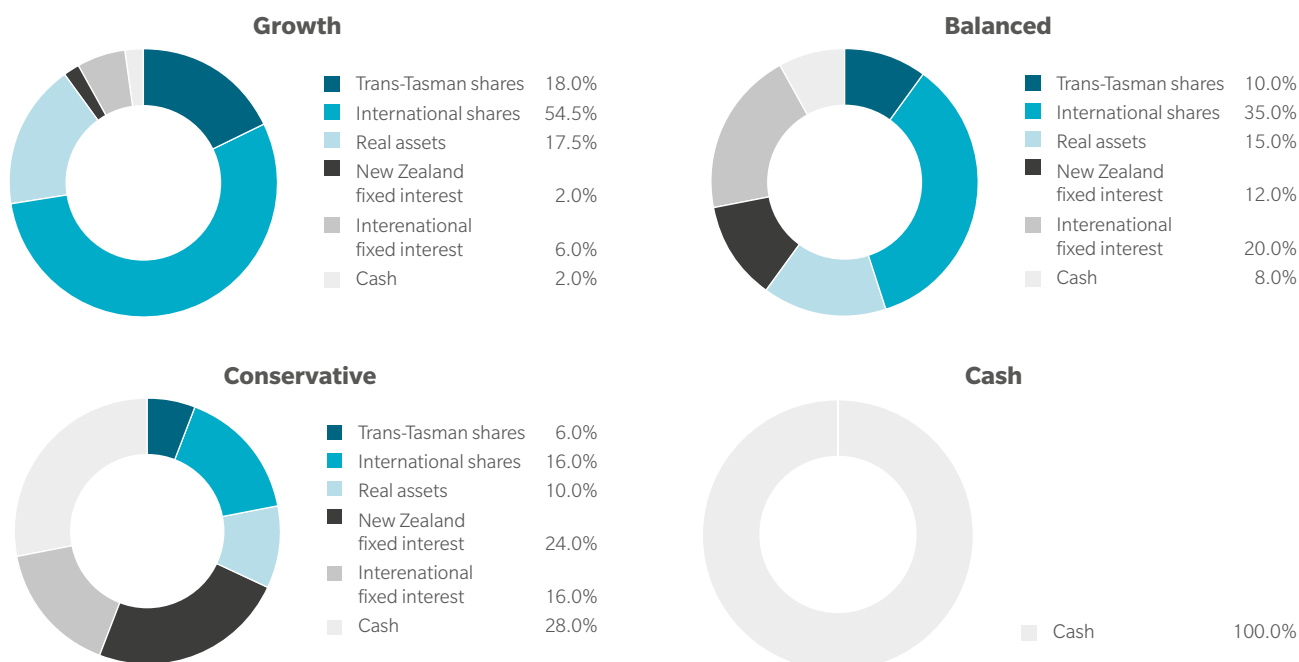
The Growth option's asset allocations have been altered to reduce its allocation to real assets and increase the percentage held in international shares.



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

New asset allocations

On 1 May 2015, the strategic asset allocations for the Growth, Balanced and Conservative options were adjusted to accommodate the new real assets sector.



WHAT DOES THAT MEAN?

Some of the terms used in this newsletter are specific to superannuation and investments.

In this issue we look at listed and unlisted investments, which make up a proportion of the Fund's new real assets sector.

Listed investments

Listed investments are generally those listed on some sort of exchange, the most obvious examples being shares traded on the New Zealand Stock Exchange (NZX). Listed investments provide a means for investors to buy and sell these investments on a regular basis.

Listed investments are not limited to shares traded on the NZX. They can include international shares, real estate investment trusts and fixed interest investments such as Government bonds.

Unlisted investments

In contrast, unlisted investments are not listed on an exchange. The Fund's unlisted investments include infrastructure and property. Because unlisted investment returns are linked to real assets, they can provide positive cash flows during an overall negative period for listed investments.

Diversification

Diversification is sometimes explained as "not putting all your eggs in one basket". Investing across a number of asset classes (and assets within those asset classes) is a generally accepted way of managing risk.

THANK YOU BRIAN COOPER

Brian resigned as a Company-appointed trustee and Chair in early June.

In his three and a half years in the role, Brian has provided valuable guidance and assistance to the trustee group.

On behalf of both his fellow trustees and the Fund's members, we would like to thank Brian for his work both as trustee and Chair.

... AND CONGRATULATIONS GRETTA STEPHENS AND GRANT CUFF

We are pleased to announce that Gretta has been elected Chair of trustees.

Grant Cuff has been appointed Chair of the Membership and Benefits Committee.

WELCOME TO OUR NEW TRUSTEE

New legislation (the Financial Markets Conduct Act or FMCA) requires all employer-related superannuation schemes to appoint a licensed independent trustee.



Tim McGuinness

To be licensed, applicants must demonstrate to the Financial Markets Authority that they are of good character and capable of acting as an independent trustee.

In our April newsletter we advised that the Company had appointed **Tim McGuinness** as the Fund's licensed independent trustee.

Tim is a very experienced trustee. He is also a trustee/director of the Dairy Industry, Westpac, Police and Fire Service superannuation schemes and a number of investment funds.

Outside employer-sponsored superannuation, Tim's responsibilities include chairmanship of the committee which nominates members for the Board of Guardians of the NZ Superannuation Fund to the Minister of Finance, membership of the KiwiSaver default provider review panel and consultancy assignments for the Financial Markets Authority.

THIS YEAR'S ANNUAL REPORT AND BENEFIT STATEMENT

Work on this year's annual report and benefit statement is well underway with Mercer, the Fund's administration manager.

You can expect to receive these documents in late October. While this may seem a long time from the end of the Fund year (30 June), you may be interested to know the process involved in completing the annual report and benefit statement. Read on for more information about the key dates and milestones we aim for.

1 July: The review process formally began.

20 August: Mercer sent all the documents relating to the annual review for the trustees to review. These included drafts of the annual report, benefit statement and financial statements.

1 September: The auditors provided provisional audit clearance. This means the auditors gave their initial approval of the financial statements.

4 September: The trustees received the updated documents and the recommended earnings rates for review and discussion at their meeting on 7 September.

8 September: The trustees approved the earnings rates.

21 September: The auditors give final audit clearance on the financial statements and annual report.

29 September: The financial statements and annual report are signed by the trustees.

1 October: The auditors issue their 'audit reports' on the financial statements and the financial summary in the annual report.

8 October: This is the date it all comes together. Mercer finalises the annual report and benefit statements and they are sent for printing.

20 October: Everything is delivered to the mail house for processing and mailing to members.

Late October: Benefit statements and annual reports are dispatched to members and uploaded to the website.

Next year, the FMCA will require the annual report to be delivered to members by 30 September, as:

- that date (which is three months after the Fund's balance date) will be the new deadline for distributing benefit statements; and
- although the trustees will still have four months to prepare (and another 28 days to deliver) the annual report, we wish to continue providing members with both documents at the same time.

Remember, you don't need to wait for your benefit statement for an estimate of your benefits as you can get one at any time by signing in to [realsuper.superfacts.co.nz](https://www.realsuper.superfacts.co.nz).