INSIGHTS
March 2018

NZAS RETIREMENT FUND
Your Super. Your Future.

MESSAGE FROM THE TRUSTEE

Welcome to the March 2018 Fund newsletter.

This issue includes the latest investment returns and a brief look at some current investment market influences, as well as general information about the Fund and managing your savings.

MEMBER SURVEY

Thank you to the 41% of members (including retirement account members) who took the time to complete our recent survey. It is pleasing to see how engaged members are (for similar surveys a 20% response rate is generally considered very favourable). Your responses have given us a better understanding of what is working well and where resources are most needed. We will let you know of any changes and improvements made as a result of the survey in future newsletters.

The report on the survey and answers to the open-ended questions willbe uploaded to the Fund website in due course. All members who provided their email address went into a draw for a $100 Prezzy card, which was won by Garry Tucker.

Garry Tucker
Reduction Area Crew Leader

INVESTMENT OPTION RETURNS

The following table shows returns (after tax and investment-related expenses) for each of the Fund's four investment options for periods ended 31 January 2018.

	Growth	Balanced	Conservative	Cash
Fund year-to-date (7 months)	11.0%	7.4%	4.4%	0.9%
1 year	20.5%	13.8%	8.0%	1.5%
3 years (p.a.)	10.5%	7.7%	5.2%	1.9%
5 years (p.a.)	12.4%	9.1%	6.1%	2.1%
10 years (p.a.)	6.3%	5.9%	5.2%	2.6%

INVESTMENT MANAGER CHANGE

After having closely monitored for some time ANZ New Zealand Investments' performance in managing approximately half of the Fund's Australasian shares portfolio, during February 2018 the Trustee directors transferred the management of ANZ's portion of that portfolio (comprising approximately 6% of the Fund's total investments) to Nikko Asset Management New Zealand.

REVIEWING YOUR INVESTMENT OPTIONS

As a matter of good practice, reviewing your investment options on a regular basis is very important.

Although for most of us saving for retirement is a long-term undertaking, it shouldn't be entirely a set-and-forget process. That certainly doesn't mean you should be chopping and changing between funds, but you should be aware if things have changed or may be about to change in your life.

The appropriate option for you can be influenced more by your personal circumstances than how investment markets themselves are performing. Your age, changes in your family situation and other investments you have can mean you may need to consider adjusting your retirement savings strategy or goals.

Remember that volatile investment markets aren't a good reason to suddenly change direction. Markets go up and they go down, and quickly, and it is better to ride out the volatility - even if a falling share market makes you nervous.

How frequently should you be having a look at where your savings are invested? It's up to you, although yearly is a popular choice because you can tie it in with the arrival of the Fund annual report and your benefit statement, your birthday or some other important anniversary.

And it doesn't need to be a full-blown review. The main thing is to check that your Fund membership continues to meet your needs for when retirement finally beckons.

CHANGING INVESTMENT FORTUNES

Each year Mercer, the Fund's investment consultant, produces a 'Periodic Table' of investment returns. To see the table visit **www.securesuperfacts.com/attachments/Form/NZAS_MercerPeriodicTableofInvestmentReturns_Jan2018_Extended.pdf**. The table colour-codes 16 asset classes and ranks how each performed on an annual basis (without any deductions for charges and tax) over the 10 calendar years ended 31 December 2017. To see how an asset class performed over that time, click on the name of the asset class in the right hand column below the Market Indices heading.

A glance at the table quickly highlights how problematic it is to see patterns and to work out what they might mean for the future. Last year's star asset classes are at times winners again the next year, but at other times sink to the bottom.

Over the last 10 years we can see that:

- 2017 proved to be a strong year for financial markets. Every investment sector depicted generated a positive return - not a common event, but the second year in a row that this occurred.
- Emerging market equities led the way by a clear margin in 2017, returning 35% following several years of more mediocre returns. New Zealand equities continued their impressive run, placing second, just ahead of developed market equities.
- The mantra "cash is king" did not hold true over the last 10 years. In fact, that asset class took out bottom spot in 2017 in a repeat of the prior year's outcome. However, cash was one of only two asset classes in the table to have recorded a positive return in every calendar year (the other was global aggregate bonds).
- After a strong 2016, commodities barely broke into positive territory last year. This placed them into more familiar territory, having ranked in the bottom two asset classes in six of the last seven years.
- Across the decade, the award for the highest single year return was held by emerging market equities (43% in 2009) and the award for the lowest single year return went to global listed property (-44% in 2008).

The table shows that the unpredictable nature of financial markets is a recurring theme, and reminds us of the merits of diversification and a focus on the longer term. This is particularly relevant as we experience the heightened volatility of early 2018.

THE MARKETS

Global share markets maintained their upward trend in the final quarter of 2017, with many markets reaching record highs. Investor optimism pushed through into January, before the market received a wake-up call in early February.

Although rising inflation remains a possible threat, positive sentiment has continued to support the global economy, with most developed markets now experiencing sustained economic growth. The Trump administration's promised overhaul of US tax policy was signed before Christmas. However, Europe faces challenges from factors such as tense Brexit negotiations, the now-possible trade war and Catalonia's intention to separate from Spain.

The New Zealand and Australian share markets both recorded a strong final quarter in 2017 to top off another solid annual performance. The local share market took the new Ardern-led Government in its stride, although the announcement of a Labour-New Zealand First coalition, with assistance from the Greens, did contribute to a weaker New Zealand dollar.

Returns to investors in the Cash and Conservative funds were modest but sound as the US Federal Reserve again increased interest rates in December, to 1.5%, well ahead of most other major central bank rates. There are some concerns over the growing divide in monetary policy between the US and its trading partners because even small changes in US financial conditions have a significant bearing on currencies, bonds, shares and other financial assets, as well as economies, around the world.

In New Zealand, our share market continued to perform well, while interest rates on fixed interest securities (bonds) fell, reflecting a slight drop in business confidence following the general election. At its November and its February reviews the Reserve Bank left the Official Cash Rate at 1.75%, where it has been since the end of 2016.

COMMON KIWISAVER PITFALLS

A recent newspaper article identified some areas where the KiwiSaver rules, some of which may also apply to your membership of the Fund, can trip people up. These include:

Not reading statements

A man who complained to the Banking Ombudsman had been in KiwiSaver for four years before he realised he was in a low return cash fund. He blamed the KiwiSaver scheme provider for returns he had missed out on. He had filled out the application form himself, and had been receiving statements for four years by the point he complained.

Trying to 'time' the market

It's easy to think you're smarter than everyone else, and know when it is the right time to switch investment options. This is sometimes referred to as 'timing the market' and has tripped up many an investor.

Withdrawing it at 65

Many people take their KiwiSaver money out at 65 and simply stick it in the bank on term deposit. They may not need it for another 10 to 15 years and are denying themselves the chance of getting some capital growth.

Remember too, that provided you meet certain criteria, you can elect to leave all or some of your benefit in the Fund and enjoy potentially higher longer-term returns while still being able to access your savings at relatively short notice. Another factor to take into account is that NZAS pays the Fund's administration expenses. This makes a meaningful difference - in the year ended 30 June 2017, for example, the practical effect of NZAS meeting those expenses was approximately equivalent to an additional 0.4% return to each member's account.