

2018 SuperLife Investment Seminar

Hugh Stevens Debbie Cundy Tim Rentzios

Disclosure

- › Smartshares Limited ('Smartshares'), a wholly owned subsidiary of NZX Limited ('NZX'), is the manager of the SuperLife KiwiSaver scheme, SuperLife workplace savings scheme, SuperLife UK pension transfer scheme and SuperLife Invest ('Schemes'). While care has been taken to supply information that is accurate, none of Smartshares, NZX, any of their related companies, their directors or any other person guarantees the Schemes, any investment in the Schemes, or any returns on an investment in the Schemes, or gives any warranty of reliability or accuracy, or accepts any responsibility arising in any way including from any error or omission. Past performance is not indicative of future performance and is not guaranteed by any party. Returns over different periods may differ

For further information, please download the product disclosure statement for the schemes by visiting superlife.co.nz/resources/legal-documents

Welcome

Agenda

- › Meet the SuperLife team
- › Market update
- › How your funds have performed
- › Investing in periods of uncertainty
- › Make use of our tools, we're here to help

SuperLife, managed by Smartshares Limited

The Smartshares board of five directors



Paul Baldwin
Chairman



Guy Elliffe
Independent
Director



Mark Peterson
Director



John Williams
Independent
Director



Lindsay Wright
Director

Significant industry experience that includes:

ACC, ANZ Investments, BNY Mellon Investment Management, NZX Wealth Technology, Russell Investments, Vanguard

Owned by NZX, New Zealand's Exchange

- › Established 1860s
- › Owner of Smartshares, Manager of SuperLife
- › Market operator and regulator
- › Globally connected exchange

Management

CEO, Smartshares Limited



Hugh Stevens

- › Extensive funds management (product and governance) experience
- › Previously Head of Private Equity and Real Estate Fund Services, BNP Paribas
- › JP Morgan

Investment consultant



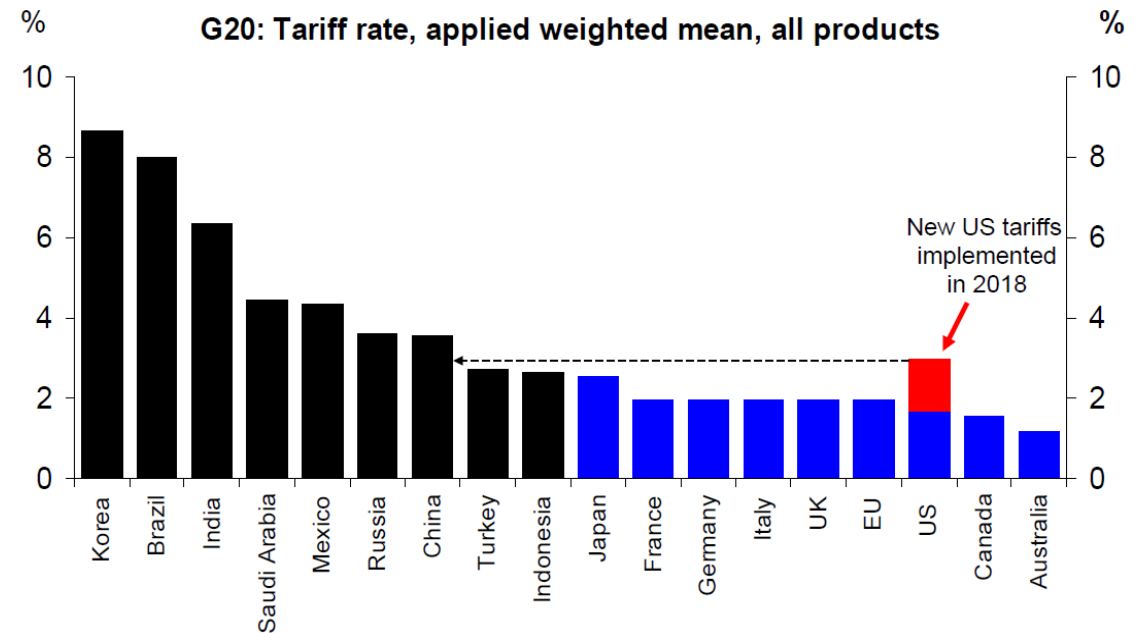
Aaron Drew
MyFiduciary

- › Significant expertise in asset allocation
- › Associate of the NZIER
- › NZ Institute of Pacific Research
- › Previously NZ Super Fund, RBNZ, OECD (Paris)

Market Update

The pace of growth remains strong

- › Despite tariffs, US GDP growth very strong and global growth (around 3.8%) remains above its long term trend (around 3.5%)
- › NZ GDP (June quarter) twice the pace expected by the Reserve Bank
- › NZ business confidence has fallen since the election, but growth outlook still favourable

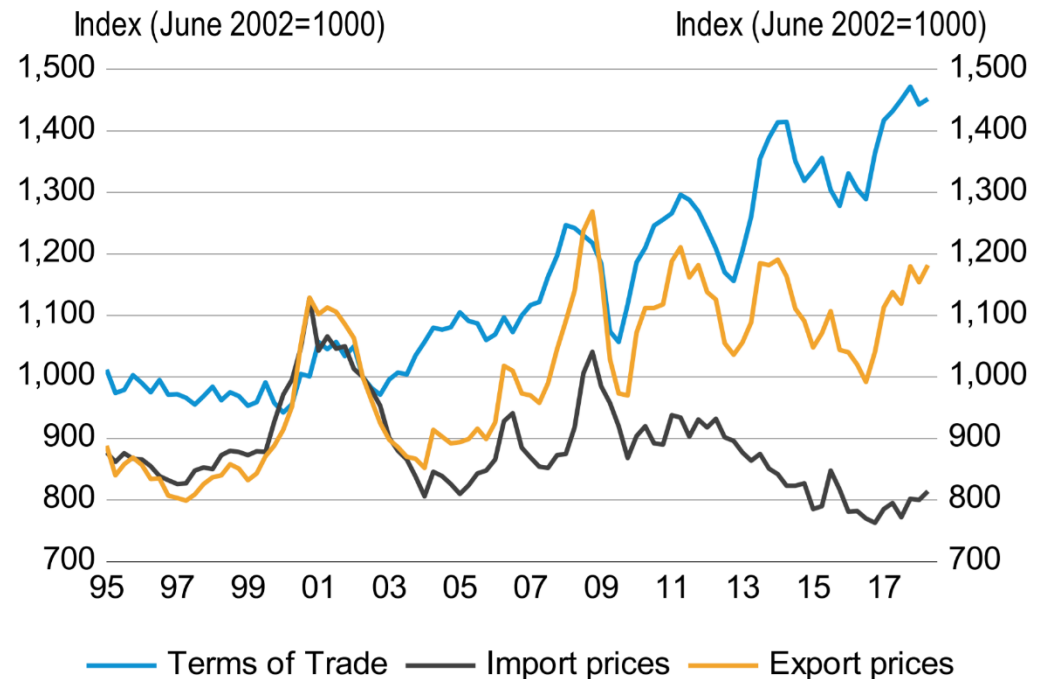


Source: World Bank, Haver Analytics, DB Global Research

Not a given that rates will be cut

- › Markets backed down from the view the RBNZ may need to cut future interest rates given stronger GDP growth and rising inflation
- › The rate of decline for the NZD against the USD has slowed

OTI Terms of Trade

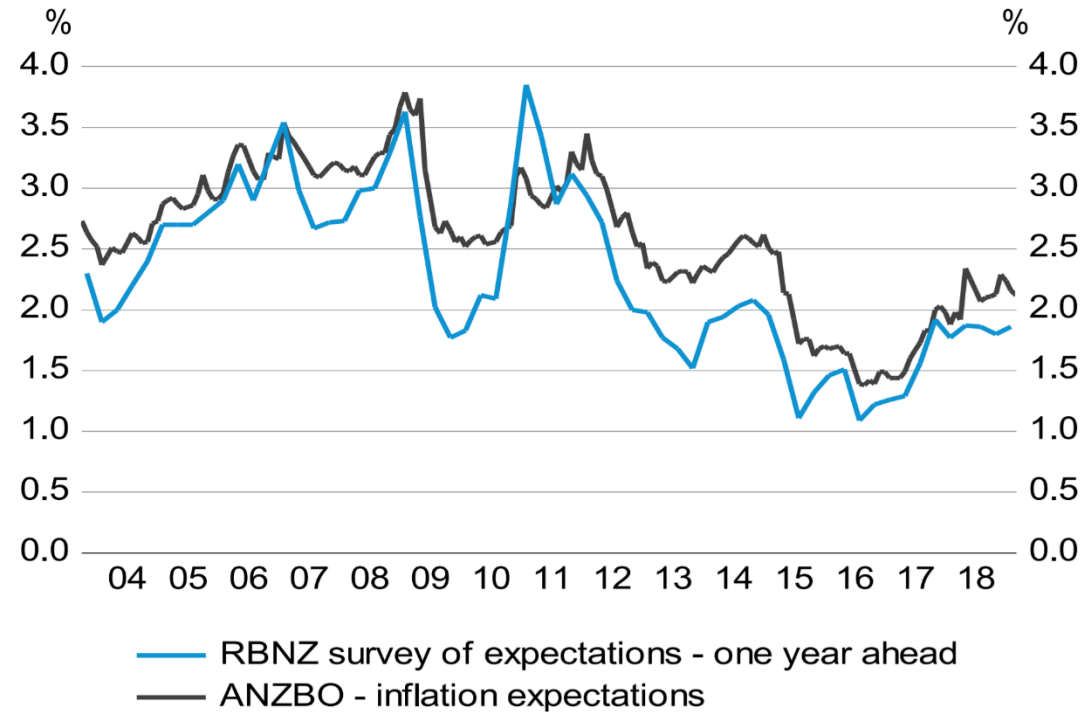


Source: Statistics NZ

NZ inflation expectations back on target

- RBNZ target range is 1% - 3% on average over the medium term

Inflation Expectations



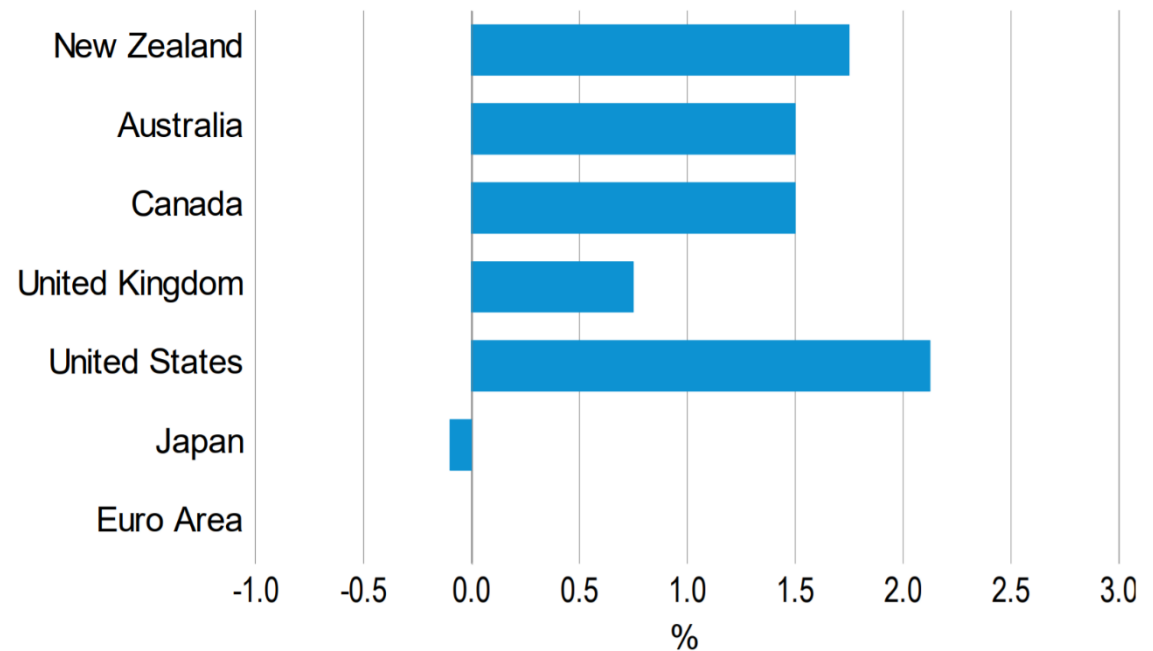
Source: Statistics NZ

US short term rates lead the pack

- › US cash rate is now 2.25%, well over the NZ 1.75% overnight cash rate
- › US cash rates being higher is quite unusual (not seen since Dec 2000) - typically NZ overnight cash rates are at least 1% higher than the US

Official Interest Rates

As at 27/09/2018



Source: Statistics NZ, Haver Analytics

Currency hedging

- › Currency hedging is the decision to reduce or eliminate a fund's exposure to changes in an exchange rate
- › There are two benefits
 1. Short term -reducing volatility
 2. Long term -benefiting from the difference between NZ and offshore interest rates

Currency hedging – what's changed?

- › When NZ rates are above offshore rates there is a long term positive benefit – we call this difference 'carry'
- › Although NZ rates are lower than US short term rates, carry is still positive due to the difference in rates with Europe, UK and Japan

This overall positive carry argues for maintaining a high level of currency hedging

Currency hedging in the SuperLife funds

- › Fully hedged: Overseas bonds
- › 75% hedging: Developed market equities
- › Unhedged: Everything else

Hedging at this level helps to minimise overall portfolio risks

Equity markets

- › Decline in the NZD has flattered the returns from offshore equities and property (where held on an unhedged basis)

Market	Developed International Equities	Emerging Market Equities	New Zealand Equities
Index	MSCI World ex Australia	MSCI Emerging Markets	S&P/NZX 50 Index
Quarter to September 2018			
• Returns in base currency	5.1%	(1.1%)	
• Returns in NZD (unhedged)	7.4%	1.0%	4.6%
• Returns in NZD (hedged)	5.7%	N/A	
1 Year to September 2018			
• Returns in base currency	11.5%	(0.8%)	
• Returns in NZD (unhedged)	21.5%	8.2%	17.9%
• Returns in NZD (hedged)	13.3%	N/A	

Source: Morningstar Direct, MyFiduciary calculations for NZD hedged exposure

Property markets

- › NZ real estate investment trusts (REITs) outperformed Australian and Global REITs in the most recent quarter

REITs	New Zealand	Australia	Global
Index (excludes tax and fees)	FTSE EPRA Nareit NZ	S&P/ASX 300 A-REIT	FTSE EPRA/NAREIT Global
Quarter to September 2018 • Returns in NZD	4.6%	2.0%	1.8%
1 Year to September 2018 • Returns in NZD	9.0%	13.9%	13.0%

Source: Morningstar Direct

SuperLife Property Fund returned 9.5% (after fund charges and taxes) for the year ended September 2018

Bonds

- › NZ bonds continue to offer a premium over short-term cash rates and term deposits
- › The soft annual return on global bonds reflects long-term interest rates increasing at a faster pace than what had been expected, particularly in the US
- › This 'mark to market' impact does not reflect any defaults in loan payments by bond issuers
- › Global bond yields are now higher, implying higher future returns

SuperLife's NZ Bonds Fund returned 3.5% and Overseas Bonds Fund returned 0.9% (after fund charges and taxes) for the year ended September 2018

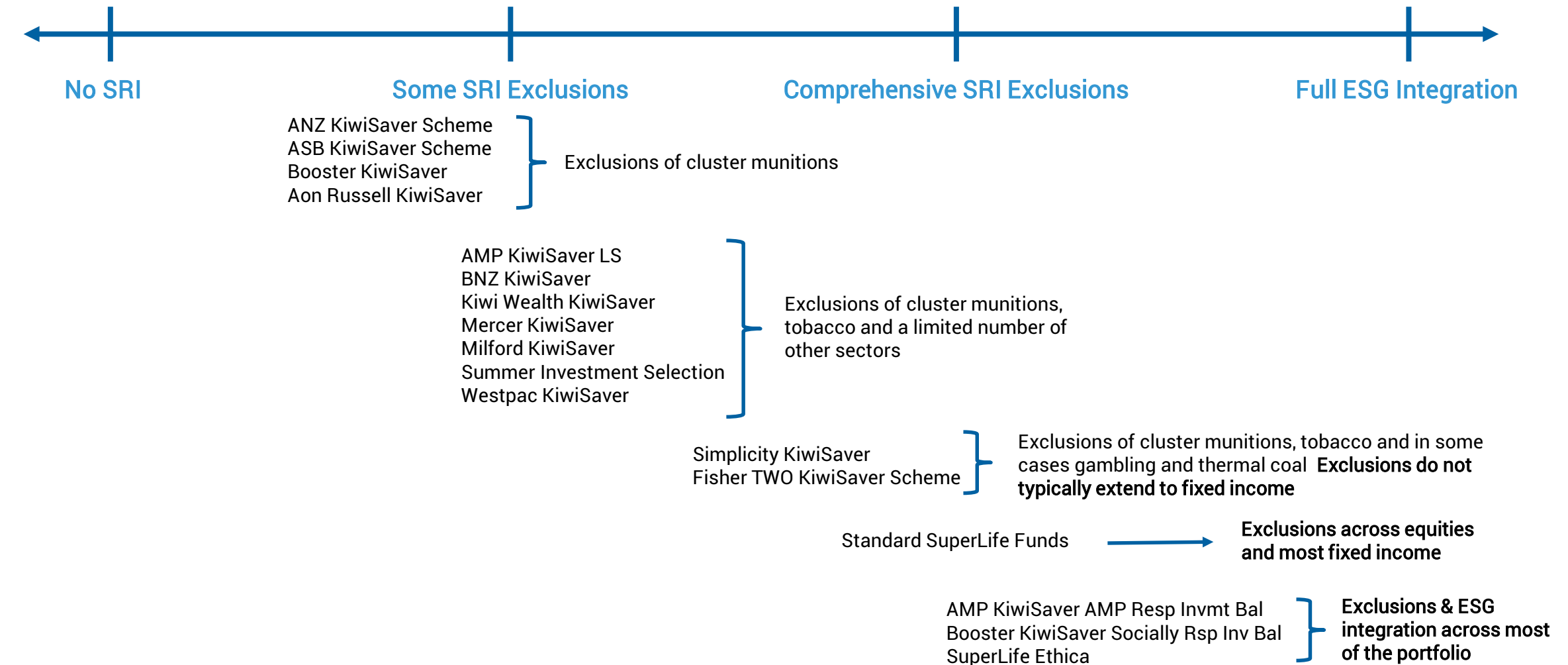
Socially responsible investing (SRI)

- › Vast majority of listed wealth in New Zealand now incorporates SRI strategies

Responsible Investment Approach	2016 Responsible Investment FUM	2017 Responsible Investment FUM	% Change
Screening (including negative, positive, best in class and norms-based screening)	42.3	85.9	103%
Sustainability themed investing	0.4	0.4	4%
Impact investing and community finance	0.1	0.1	0%
Core responsible investment total	42.8	86.4%	102%
Broad responsible investment total ESG integration	88.6	97.0%	9%
Total responsible investment	131.4	183.4	40%

Source: RIAA 2018

The KiwiSaver socially responsible continuum



To summarise

- › The pace of growth remains strong
- › We maintain our currency hedging position
- › The equity markets have had a strong run however valuations are not at the elevated levels experienced before previous market corrections
- › Bonds have been impacted by unexpectedly fast rate rises, particularly in the US
- › Socially responsible investment is fast becoming mainstream

SuperLife fund performance

Performance – SuperLife workplace savings scheme

	Returns to 30 September 2018 (after fund charges and tax at 28%)			
Investment Option	Quarter	1 year	3 years (p.a.)	5 years (p.a.)
Top 1 Year Performers				
US Large Growth ETF	9.82%	32.50%	14.59%	n/a
Australian Resources ETF	0.39%	28.32%	20.28%	n/a
US 500 ETF	9.33%	26.48%	13.78%	n/a
Popular Investment Options				
SuperLife ^{Income}	0.48%	1.61%	3.03%	3.64%
SuperLife ⁶⁰	2.64%	7.23%	8.48%	7.57%
SuperLife ¹⁰⁰	4.13%	10.97%	11.04%	9.42%
Ethica	3.20%	6.70%	6.96%	7.88%
NZ Top 50 ETF	4.66%	17.38%	17.94%	n/a

Source: Smartshares Limited.

Investing in periods of uncertainty

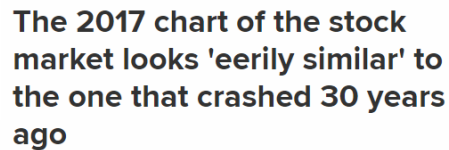
In this session

- › Markets are, and always will be, uncertain
- › It's important to develop an investment strategy suitable for you
- › Make use of our tools, we're here to help

“We have two classes of forecasters: Those who don't know – and those who don't know they don't know. ”

John Kenneth Galbraith

Global share market forecasts



Is a Repeat of the 1987 Stock Market Crash Looming?

Market crash warning: Red alert issued

15 Oct. 2016 11:15am

④ 3 minutes to read

FINANCE • MARKET INTELLIGENCE

Analyst: Here Comes the Biggest Stock Market Crash in a Generation

GET EMAIL ALERTS

Crash of 2014: Like 1929, you'll never hear it coming

Published: Feb 24, 2014 7:48 a.m. ET

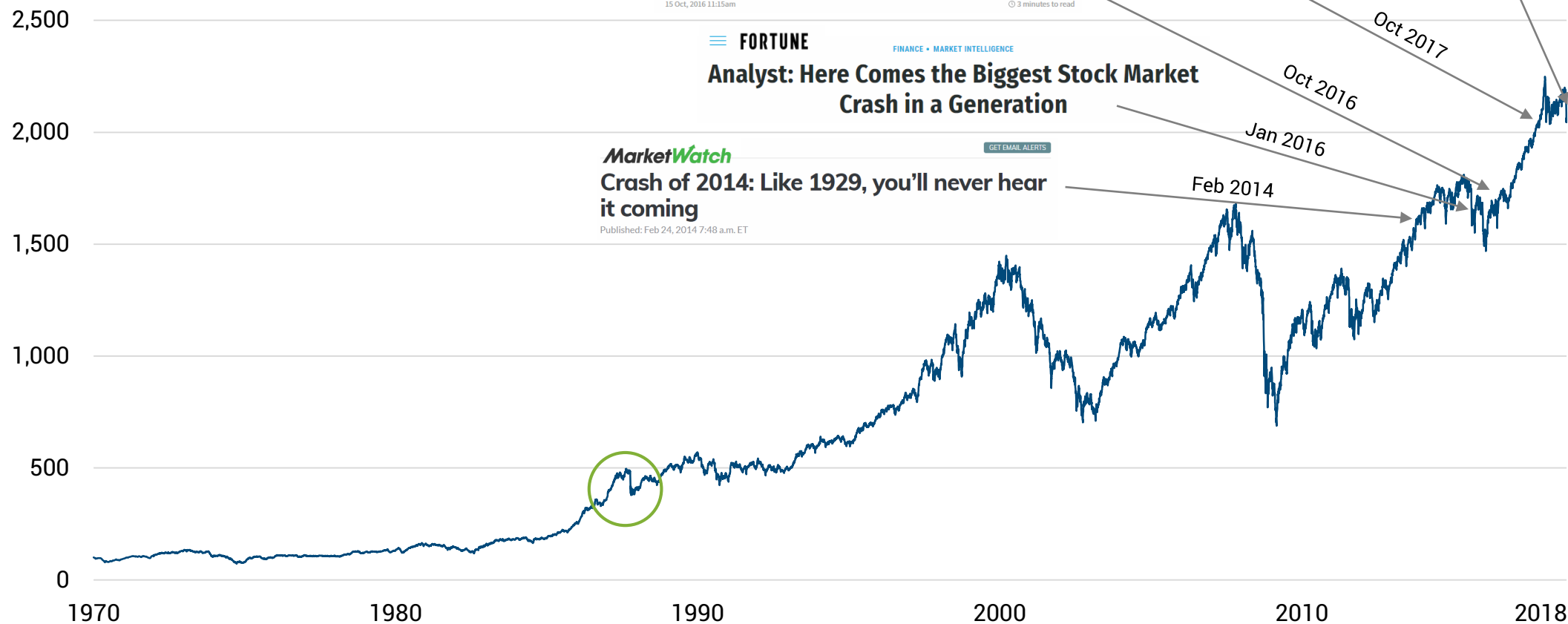
Feb 2014

Jan 2016

Oct 2016

Oct 2017

?



— MSCI World Index
Source: Bloomberg

Your questions focused on future expenditure

- › Managing bills and payments
- › Saving for a home
- › Planning for retirement
- › “How do I get rich?”

“To be a successful investor, you have to have a philosophy and process you believe in and can stick to, even under pressure. ”

Howard Marks

The investment process

- › It's important to develop a framework for making investment decisions

WHY

What are your **goals** or purpose for investing?

WHAT

What will you invest in? Set an **investment strategy**

HOW

How will you **implement** your strategy?

DO

Start investing

REVIEW

Check that you're **on track**

The investment process

WHY

What are your **goals** or purpose for investing?

WHY

What are your goals or purpose for investing?

- › It's helpful to arrange your goals by time horizon

Short term

0-3 years

Emergency fund

Medium term

4-9 years



Long term

10 years plus

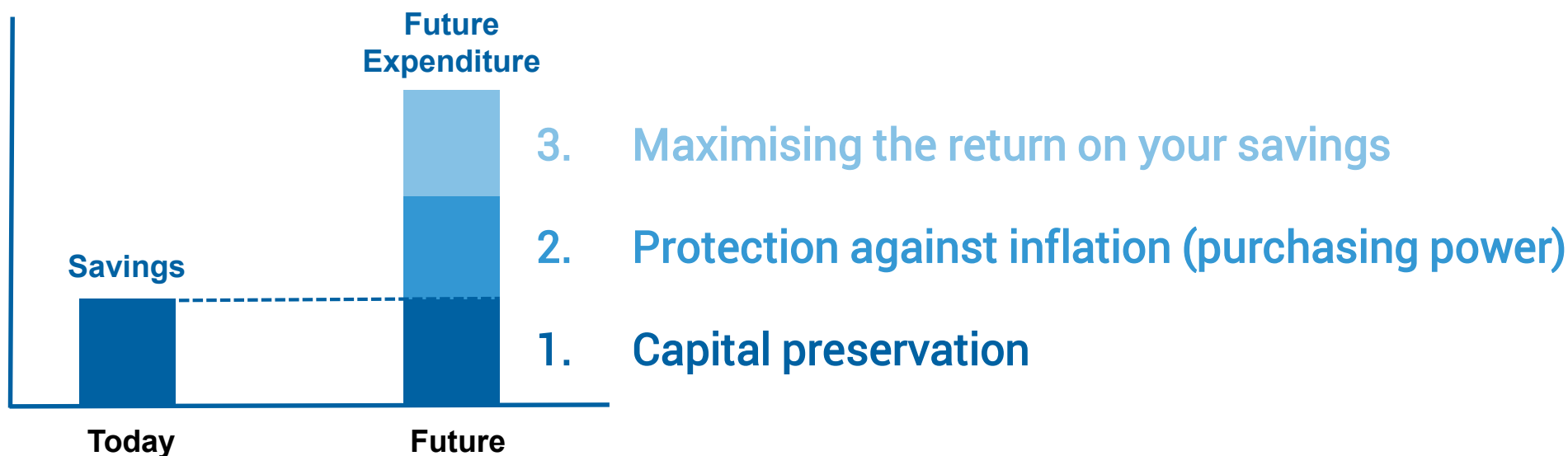


How much will you need and when will need to spend it?

WHY

What are your goals or purpose for investing?

- › You may have additional preferences



NZ Consumer Price Index inflation has averaged around 2.7% since 2000

The investment process

- › It's important to develop a framework for making investment decisions

WHY

What are your **goals** or purpose for investing?

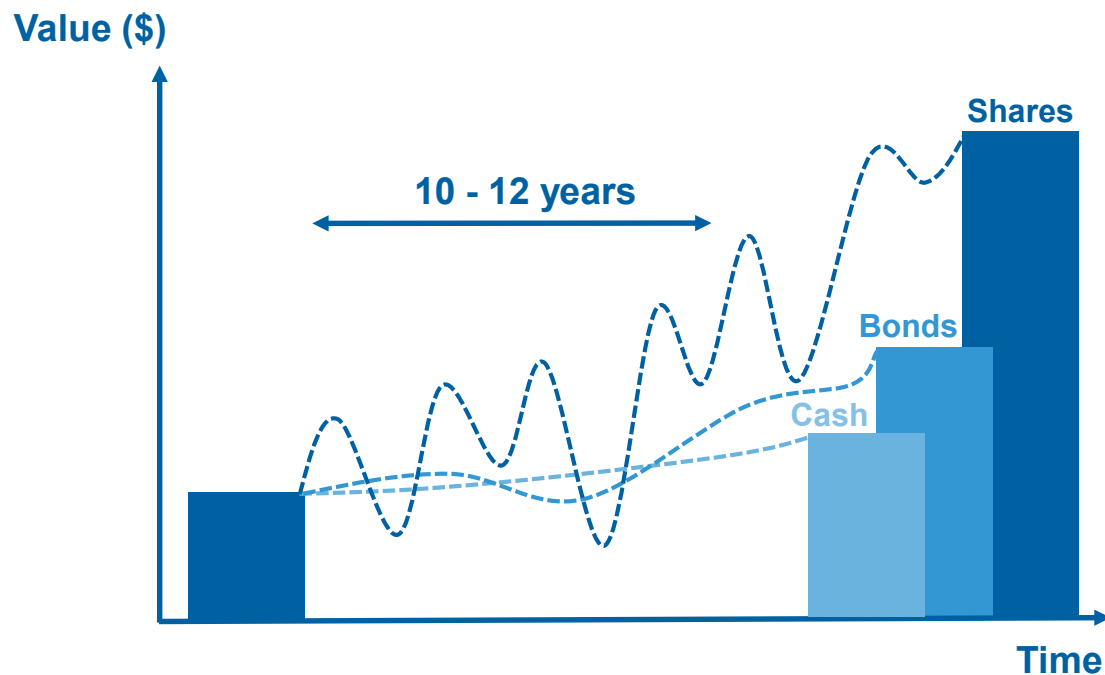
WHAT

What will you invest in? Set an **investment strategy**

WHAT

What will you invest in? Set an investment strategy

- › Saving money is one (very important) thing, but where should you put it?
- › The four main 'asset classes' are **cash, bonds, property, shares**



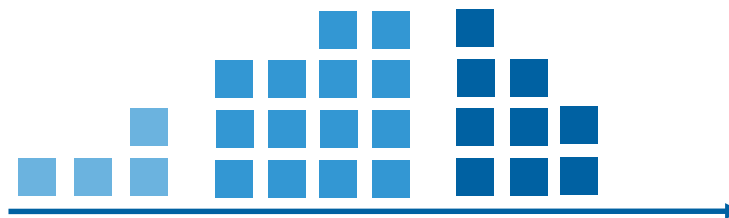
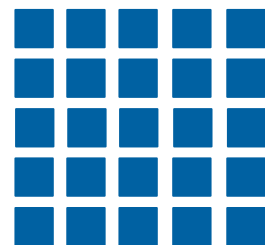
Your risk profile helps
you decide what pattern
of returns you can
tolerate

WHAT

What will you invest in? Set an investment strategy

- › Set your strategy based on **when you will spend your money**

Savings (\$)

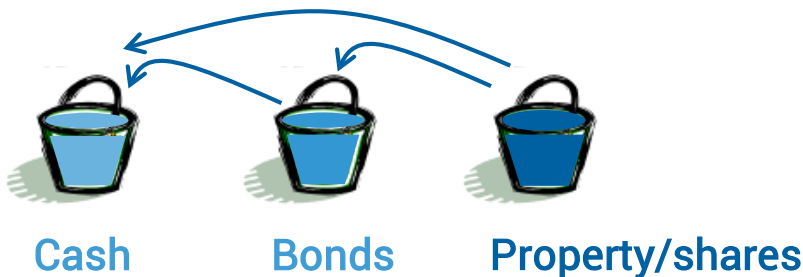


Short term
0-3 years
Certainty

Medium term
4-9 years
Income

Longer term
10 years plus
Inflation
Protection

Withdrawals



The investment process

- › It's important to develop a framework for making investment decisions

WHY

What are your **goals** or purpose for investing?

WHAT

What will you invest in? Set an **investment strategy**

HOW

How will you **implement** your strategy?

HOW

How will you implement your investment strategy?

- › Choose **investment options** to suit your mix of cash, bonds, property and shares

SuperLife's investment philosophy

- › **Passive**, disciplined, rules-based approach
- › **Diversification** across asset classes, geographies, industries and companies
- › **Simple** and transparent

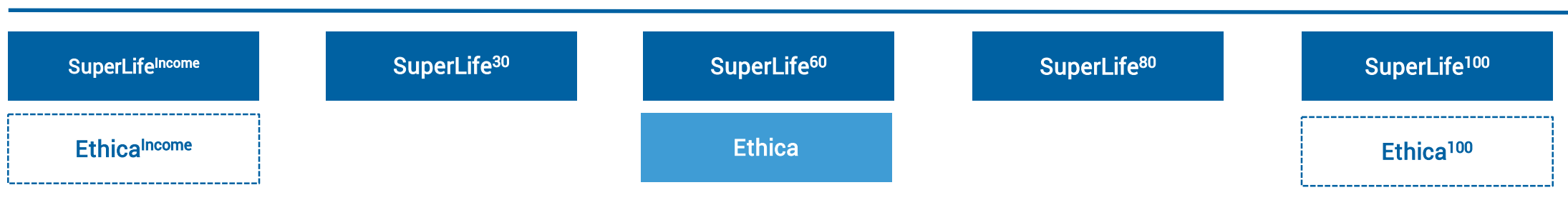
Providing you with investment options that best suit your needs

HOW

How will you implement your investment strategy?

- › **SuperLife^{AgeSteps}** automatically adjusts allocation to income and growth assets based on age
- › Choose from **managed funds** based on your risk profile

Higher expected long term average return /
Higher probability of a negative return over 1 year



- › Choose from 34 **sector** and **exchange traded funds** to construct a portfolio to suit your needs











HOW

How will you implement your investment strategy?

- › View a fact sheets online for each investment option
- › These include asset allocation, geography and underlying investments

Geography

31 AUGUST 2018

Country	%	Relative Weighting
United States	28.37%	
New Zealand	25.89%	
Australia	10.86%	
Japan	5.40%	
United Kingdom	4.69%	
France	3.29%	
Germany	2.40%	
China	2.36%	
Canada	1.55%	
Sweden	1.26%	

SuperLife⁶⁰

The investment process

- › It's important to develop a framework for making investment decisions

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DO

Start investing

DO

Start investing

My SuperLife

Balances by account

Balances by fund

Transaction history

Future strategy

Change strategy

Change investment strategy

0% complete

These pages let you change your investment strategy.

I wish to change my investment strategy for:

☐ **Both my existing savings and my future savings**

This option also lets you choose whether you want the savings in your accounts to be managed by SuperLife and automatically adjusted from time to time to maintain your chosen investment strategy.

☐ **My existing savings only**

This option lets you change how your existing savings are invested. Your future savings will continue to be invested as at present.

☐ **My future savings only**

This option lets you change how your future savings will be invested and leaves your existing savings invested as they are.

For additional information on deciding how you want your savings invested see:

[SuperLife investment guide](#) - a guide to help you work out what investment mix is right for you.

[SuperLife investment options](#) - a summary of the investment options under SuperLife.

DO

Start investing

- › Don't look at the past to predict the future
- › Try not to look at returns too often – patience is important
- › Remember to focus on what you can control (your spending)

The investment process

- › It's important to develop a framework for making investment decisions

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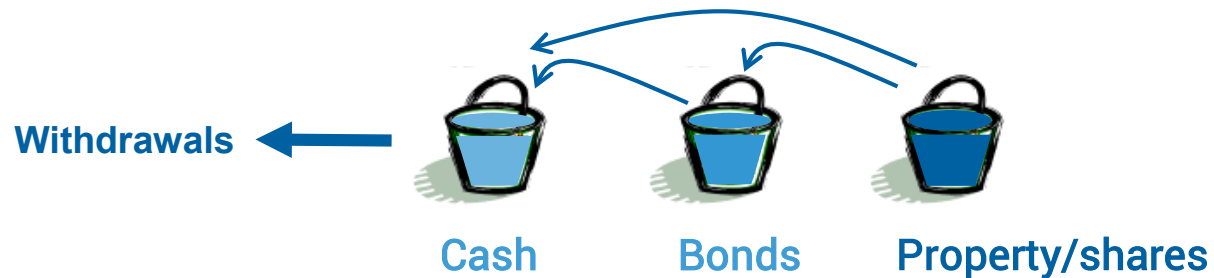
We're here to help

Where to go for financial advice

- › SuperLife does not provide personalised financial advice
- › Our new facility enables you to agree a reasonable fee with an adviser
- › Ask us about financial advisers that are signed up in your region

Planning on making regular withdrawals?

- › Set up an income from your SuperLife account, e.g. \$2,000 each month, while giving your longer term investments a chance to grow
- › Reinvest income received from your income-generating funds into the NZ Cash Fund



Save for a child's future with MyFutureFund

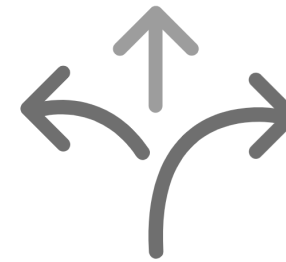
- › Choose a nominated guardian to make the decisions until the child reaches an age of your choice between 18 and 25



Decide how
much you save
and when



Anyone can
contribute



Decide what the
savings will be
used for

To summarise

- › Markets are, and always will be, uncertain
- › It's important to develop an investment strategy suitable for you
- › Use our tools, we're here to help

Questions
