

Welcome

Welcome to the June quarter news. It has been a busy few months for us as we revert and adjust to life after a period of lockdown. Investors have lived through a few nerve-wracking moments given how volatile the markets have been.

The investment environment will remain challenging. New Zealand and the rest of the world are in a 'wait-and-see' mode, watching how the Covid-19 disaster plays out. The jury is still out on whether the world's recovery will be short and sweet, or long and bitter.

At SuperLife, we have a solid business model to support our clients. Our client advisers and support team are behind you, ready to help protect and grow your assets.

If you haven't already done so, please register for online access so you can get information easier.

In 'Thoughts on investment strategy', we note the big picture isn't rosy but as always, falls or corrections in the market provide opportunities to accumulate assets at lower prices.

Read the detailed news available online at www.superlife.co.nz

- Thoughts on investment
- Will you have enough to retire on?
- New ETFs in July

Enjoy the read.
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Smartshares Limited is the issuer of SuperLife Invest, the SuperLife KiwiSaver scheme, the SuperLife UK pension transfer scheme and the SuperLife workplace savings scheme. The Product Disclosure Statements and Fund Updates for these schemes are available at www.superlife.co.nz/legal-doc.

Market update

The second quarter in the global share markets was a somewhat puzzling time. A slew of bad news did little to hold back enthusiastic buyers chasing the S&P 500 for most of April and May with more normality returning towards June.

Bad news on the US economy was largely dismissed by Wall Street despite the US reporting its worst set of unemployment data since the Great Depression of the 1930s.

The S&P 500 had by end of June recovered 38% from its lowest level seen in March 2020.

The big picture isn't rosy. The International Monetary Fund (IMF) expects the world to see its worst economic recession since the 1930s as a result of the Covid-19 pandemic.

The silver lining is that the market already understands this and as lockdown measures are lifted, economic activity will resume. This will see a recovery in corporate earnings which will help sharemarkets hold onto second quarter gains.

The key risk remains a resurgence in Covid-19 infection rates, which will result in a slower economic recovery and lower returns for investors going forward.

International equities

In the June quarter, returns from international shares, after accounting for currency fluctuations, rose 12.2% in the June quarter. Over 12 months, returns were up 7.1%. (FTSE Developed All Cap Index in NZ dollar terms)

NZ equities

NZ equity returns, as measured by the S&P/NZX 50 Gross Index, rose 16.9% during the June quarter.

This was the highest quarterly return ever for this index. Over 12 months, NZ equities rose 9% despite all the volatility we have experienced this year.

Emerging markets

Emerging market returns gained 19% in the June quarter but fell 3.2% over the year. (FTSE Emerging Markets All Cap)

Australian equities

Australian equities returns rose 16.5% in the June quarter, reflecting the strong recovery in equities worldwide following the negative returns in Q1. Over 12 months, Australian equities fell 7.7%. (S&P ASX 200 Total Return Index)

International fixed interest/bonds

Returns from overseas bonds rose 2.4% in the June quarter. Over 12 months, returns rose 5.7%. (Bloomberg Barclays Global Aggregate Total Return Index Hedged NZD)

NZ bonds

NZ bonds returned 3.4% in the June quarter and 5.8% over 12 months. (S&P/NZX A-Grade Corporate Bond Total Return Index)

SuperLife Funds

SuperLife Income which does not have any exposure to equities, returned 3.36% in the June quarter and 3.45% over 12 months.

SuperLife Conservative, invested mainly in income assets, returned 6.17% in the June quarter and 1.12% over 12 months.

The SuperLife Balanced Fund (which typically has 60% in equities/listed property and 40% in cash and fixed income) saw returns rise 9.14% in the June quarter. Returns were down 0.48% over 12 months.

SuperLife Growth returns rose 10.41% in the June quarter. Over 12 months, returns were down 2.88%. The SuperLife Growth fund invests mostly in international equities, some cash and fixed interest.

SuperLife High Growth, mostly invested in higher risk assets such as equities and property stocks, returned 12.93% in the June quarter but over 12 months, returns fell 4.15%.

Ethica, which invests into funds that have strict sustainability criteria, returned 10.4% in the June quarter; over 12 months returns rose 2.76%.

Thoughts on investment strategy

During the June quarter, investors' confidence fluctuated with the tide of good or bad news being released about the prospects of the economic recovery from the impact of the Covid-19 pandemic.

What's certain is the fear-led panic selling seen in March has abated.

Investors will be looking for signs the concerted efforts between the world's central banks and their governments to stimulate economic recovery will produce the intended results.

The market will also need reassurance the US economy isn't going into a long and protracted economic contraction, and that any economic recovery will not be derailed by inflation.

Winners and losers

The investment environment will stay difficult. In the equities sector, the focus will be on defensive industries such as healthcare and technology.

Cyclicals, or companies whose fate are tied to the economy's well-being, will continue to face tough times ahead. These include airlines, hotels and businesses linked to tourism and travel.

Search for yields

In the fixed income asset class, the attention will be on the safe-haven nature of government bonds, and high-quality corporate debt. Investors will seek out debt securities issued by companies with attractive businesses, and a proven track record of managing their capital restructuring to build an improved version of their business.

What this means for SuperLife members

Falls or corrections in the market provide opportunities for members to continue accumulating assets at lower prices.

Some investments perform well in negative economic environments. New Zealand government bonds and cash provide a safe haven in times of uncertainty.

Think about whether you have the right investment strategy as your ability to tolerate risk changes with your age.

You can leave the choice of investment strategy to SuperLife if you prefer. This option is called SuperLife Age Steps and is designed for those saving for retirement. It automatically sets the proportion of your investment in income and growth assets based on your age.

Need help with your investments? Get in touch with us at superlife@superlife.co.nz or call 0800 27 87 37.

These thoughts on investment strategy do not constitute financial advice and do not take into account personal circumstances. They are designed to illustrate possibilities only. As with all investment decisions, what might be the right strategy over the medium or longer term may not pay off over the very short term. No one can consistently predict what will happen over the short term. Those acting upon the information in this newsletter do so entirely at their own risk. SuperLife does not accept liability for the results of any actions taken or not taken based on this information. While every effort has been made to ensure accuracy, no liability is accepted for errors or omissions in this newsletter.

Will you have enough to retire on?

One question often asked is 'how much do I need for retirement'. There is no magic number. What is enough depends on what kind of lifestyle you see for yourself in retirement, what living expenses or financial commitments you have; and any other sources of income you have outside KiwiSaver and superannuation. Read the full article on www.superlife.co.nz

New ETFs in July

Four new exchange traded funds were listed in July. These funds are available as fund options for SuperLife members. One of these funds allow investors to directly invest in an all-New Zealand government bond fund, and another is a New Zealand-managed passive fund investing in Australia's 200 largest companies. Learn more at www.smartshares.co.nz

Returns after tax, costs and fees

SuperLife workplace savings scheme, period ended 30 June 2020

Where returns are not shown, the investment option was not available for the full period. The quarterly investment news includes returns for an investor in the SuperLife workplace savings scheme not making contributions. For investors in SuperLife

Invest, the SuperLife KiwiSaver scheme and the SuperLife UK pension transfer scheme, and for investors in the SuperLife workplace savings scheme making contributions, the returns may vary slightly.

Fund	Last quarter	1 year	3 years % pa	5 years % pa	7 years % pa	Fund	Last quarter	1 year	3 years % pa	5 years % pa	7 years % pa
NZ Cash	0.34%	1.27%	1.66%	1.86%	2.13%	NZ Top 50	15.50%	-0.16%	10.59%	12.38%	
NZ Bonds	3.13%	4.25%	4.20%	3.94%	4.12%	NZ Top 10	16.73%	18.25%	15.91%		
Overseas Bonds	2.66%	3.24%	3.21%	3.85%	3.61%	NZ Mid Cap	14.38%	-6.39%	8.70%		
Overseas Non-government Bonds	4.90%	3.36%	2.66%	3.53%	3.54%	NZ Property	7.57%	-7.31%	9.43%		
Global Property	10.42%	-15.29%	2.09%	3.46%	6.02%	Australian Top 20	17.16%	-8.18%	3.37%		
NZ Shares	15.11%	-3.87%	6.04%	10.44%	10.81%	Australian Dividend	23.15%	-8.94%	-0.59%		
Australian Shares	21.11%	-9.77%	2.39%	3.92%	4.46%	Australian Financials	17.11%	-18.02%	-5.03%		
Overseas Shares (Currency Hedged)	12.71%	-5.85%	1.75%	4.30%	7.21%	Australian Property	21.68%	-16.25%	2.31%		
Overseas Shares	8.79%	1.96%	6.96%	5.62%	9.06%	Australian Resources	32.30%	-6.30%	13.60%		
Emerging Markets	11.35%	-1.20%	3.70%	2.34%	4.76%	Australian Mid Cap	35.13%	1.67%	4.74%	8.25%	
UK Cash	-5.61%	0.53%	1.68%	-2.69%	-0.19%	Total World	9.71%	4.31%	8.03%		
SuperLife Income	3.36%	3.45%	3.38%	3.73%		US 500	8.89%	9.46%	12.77%		
SuperLife Conservative	6.17%	1.12%	3.72%	4.53%	5.01%	Europe	9.01%	-2.99%	2.17%		
SuperLife Balanced	9.14%	-0.48%	4.00%	5.19%	6.35%	Asia Pacific	6.52%	1.62%	4.03%		
SuperLife Growth	10.41%	-2.88%	3.75%	5.18%		US Large Growth	16.41%	26.43%	19.70%		
SuperLife High Growth	12.93%	-4.15%	3.86%	5.17%		US Large Value	1.83%	-5.28%	5.98%		
Ethica	10.40%	2.76%	4.97%	5.52%	6.86%	US Mid Cap	11.97%	2.01%	8.34%		
NZ Dividend	12.50%	-15.57%	2.08%			US Small	14.94%	-3.15%	6.05%		