

## Welcome

What an eventful year it has been and a challenging one for many. As we have learned to live with the uncertainties presented by COVID-19, we have also had time to reflect on what's important to us, personally, and as a society.

Smartshares has grown – we now manage more than \$5 billion on behalf of more than 75,000 New Zealanders. This growth allows us to continue to review fees and charges – something we recently wrote to you about. Our good work was also recognised when Smartshares' New Zealand Top 10 Fund was named Good Returns' New Zealand Equities Fund of the Year for 2020. We were also finalists in a number of categories, including Fund Manager of the Year.

Looking ahead, global economies are expected to recover at a measured pace. The low interest environment is expected to provide a level of support for the equity markets.

In our 'Thoughts on investment' section find out what investors will be looking for as the world goes through a recovery phase.

Also in this issue:

- Protecting your privacy

Best wishes.

Hugh Stevens

CEO, Smartshares

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### Market update

The S&P 500 rose 11.7% in the December (Dec) quarter. Despite a year fraught with uncertainties, the S&P 500 closed 16.3% higher from 2019. The market continued its pendulum swings, often sitting between mild exuberance and a healthy dose of caution.

The NZX 50 closed the quarter at 13,091.64, against 11,747.28.

Much of the last quarter was spent waiting for news on what type of vaccines will be ready for rollout to populations around the world. Front runners in the race to supply COVID-19 vaccines are pharmaceutical companies such as Astra Zeneca, Moderna, and Pfizer. Most of the coming months will be spent looking at how widely available these vaccines will be, and what the results will show. While giant companies such as Facebook, Amazon, Apple, Netflix and Google took centre stage most of this year, the Dec quarter saw cyclical companies (companies whose fortunes are tied to the wider economy, such as tourism and services), make tentative advances.

Investors will remember 2020 as a year of learning to live with COVID-19, and 2021 as a year of picking up the destructive trails left by COVID-19. The question some will ask is: will there be a double-dip recession or will economies move in a straight upward trajectory?

The US market has reasons to cheer as the US Congress has cleared the hurdle for a US\$900-billion pandemic relief bill to become law. This aid package, which will improve investor confidence, is on top of a US\$2-trillion package approved in March 2020 by Congress. The incoming administration under President Joe Biden also in January unveiled a US\$1.9-trillion stimulus package which he plans to fast track, with or without Republican support.

### International equities

In the December quarter, international shares, after accounting for currency fluctuations, returned 6.4%.

Over 12 months, returns were 9.7% (FTSE Developed All Cap Index in NZ dollar terms).

### NZ equities

NZ equities, as measured by the S&P/NZX 50 Gross Index, returned 11.4% in the quarter. Over 12 months, NZ equities rose 13.9% (S&P/NZX 50 Gross Index).

### Emerging markets

Emerging market returned 17.5% in the quarter and 15.5% over the year (FTSE Emerging Markets All Cap).

### Australian equities

Australian equities, as measured by the S&P/ASX200 Total Returns Index, returned 13.7% in the quarter. Over 12 months, Australian equities returned 1.4%.

### International fixed interest/bonds

Overseas bonds returned 0.8% in the quarter and 5.4% over 12 months (Bloomberg Barclays Global Aggregate Total Return Index, NZD hedged).

### NZ bonds

NZ bonds fell by 1% in the quarter but returned 5.4% over 12 months (S&P/NZX A-Grade Corporate Bond Index).

### SuperLife funds

SuperLife Income, which does not have any exposure to equities, returned 0.5% in the Dec quarter, and 4.1% over 12 months.

SuperLife Conservative, invested mainly in income assets, returned 3.7% in the quarter, and 4.5% over 12 months.

SuperLife Balanced Fund (which typically has 60% in equities/listed property and 40% in cash and fixed income) returned 6.9% in the quarter and 5.7% over 12 months.

SuperLife Growth returned 8.8% in the quarter. Over 12 months, returns were 5.3%.

SuperLife High Growth, invested mostly in higher risk assets such as equities and property stocks, returned 10.9% in the quarter and 5.3% over 12 months,

Ethica, a socially responsible fund, returned 7.7% in the Dec quarter. Over 12 months, returns were 9.6%.

## Thoughts on investment

Not too hot, not too cold but, just right. This might be what investors are looking for in the investment environment as they try to shake off lingering fears of new waves of COVID-19 variants derailing any hope of a smooth global economic recovery.

Investors will remember 2020 as a year of learning to live with COVID-19, and 2021 as a year of picking up the destructive trails left by COVID-19.

Governments and central banks around the world will be trying to keep a balance between spending money to stimulate the economy while trying not to create excessive national debt burdens.

Investors will be looking for strong signals from governments and their central banks to stay on track with their efforts to support their economies' turnaround.

They will be looking for central banks to stay committed to accommodative monetary policy, and for governments to continue providing financial aid to households and businesses hurt by the economic downturn.

The question remains how much more aggressive President Biden's government

will be in handing out government money to ignite the US economy.

Our Chief Investment Officer Stuart Millar has these thoughts to share:

- The low interest rate environment is expected to provide a level of support for the equities market, particularly for companies whose fortunes are tied to an economy on the mend. Sectors with strong exposure to property, and emerging markets, are also expected to see some demand.
- Fixed income and cash returns will stay unattractive relative to equities. However, the safe-haven nature of government bonds means there will continue to be underlying demand. Corporate bonds from issuers with a proven track record of good management will continue to be sought after.
- The strength of the NZ dollar relative to the US dollar will benefit investors with hedged global equities holdings.
- Any price correction in giant companies such as Google and Apple, who have had standout runs in 2020, would also dampen the current strength of the S&P 500.

- 2020 was an important lesson on why long-term investors should avoid selling shares when the market is going through extreme volatility. A better option is to average the cost of investments over time by accumulating regularly when opportunities arise.

### Protecting your privacy

An important part of what SuperLife does every day is collecting information about you when you use our websites and when you join the SuperLife KiwiSaver, SuperLife Invest, workplace savings or UK pension transfer scheme. We also collect your information from third parties when you have given us permission to do so, or if the information is publicly available.

We respect your privacy and have strict rules on how we use your information.

We will take reasonable steps to ensure that your information is protected from unauthorised access, modification, disclosure or misuse.

Find out more about our privacy policy at [www.superlife.co.nz/legal/privacy-policy](http://www.superlife.co.nz/legal/privacy-policy)

## Returns after tax, costs and fees

*SuperLife workplace savings scheme for the, period ended 31 December, 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	3 Months	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	Fund	3 Months	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)
SuperLife Income	0.54%	1.78%	4.14%	3.53%	3.69%	3.90%	US 500	2.20%	8.62%	8.26%	11.10%	11.52%	
SuperLife Conservative	3.68%	6.08%	4.54%	4.53%	5.42%	5.46%	US Large Growth	1.89%	12.75%	28.55%	19.57%	16.49%	
SuperLife Balanced	6.89%	10.58%	5.72%	5.50%	7.03%	6.99%	US Large Value	4.16%	6.94%	-6.54%	3.78%	6.99%	
SuperLife Growth	8.85%	13.37%	5.26%	5.71%	7.85%	7.77%	US Mid Cap	7.48%	13.56%	8.57%	9.10%	9.64%	
SuperLife High Growth	10.92%	16.28%	5.28%	6.04%	8.54%	8.36%	US Small Cap	16.01%	20.19%	9.47%	8.49%	10.05%	
Ethica	7.71%	13.27%	9.62%	7.38%	7.37%	8.16%	Overseas Shares	5.76%	10.09%	4.50%	6.48%	8.12%	9.16%
S&P/NZX 50	11.28%						Overseas Shares (Currency Hedged)	11.50%	17.15%	3.81%	4.48%	8.06%	7.87%
NZ Shares	15.61%	22.45%	11.03%	11.85%	12.45%	10.92%	Total World	5.38%	10.91%	7.25%	7.43%	8.89%	
NZ Top 50	16.10%	23.94%	14.01%	15.22%	15.37%		Total World (NZD Hedged)	11.01%					
NZ Top 10	11.09%	8.87%	17.40%	17.39%	15.79%		Asia Pacific	7.07%	11.24%	7.05%	3.10%	6.38%	
NZ Mid Cap	11.63%	24.16%	7.94%	11.79%	14.16%		Emerging Markets	7.86%	12.70%	5.80%	3.28%	7.74%	6.10%
NZ Dividend	18.84%	28.19%	7.72%	10.31%	10.79%		Europe	5.90%	7.90%	-1.61%	1.75%	4.33%	
NZ Property	8.94%	23.37%	6.06%	15.07%	11.75%		Global Property	10.24%	15.29%	-7.09%	4.11%	5.86%	8.49%
S&P/ASX 200	11.31%						NZ Bonds	-0.71%	0.89%	4.18%	3.82%	3.87%	4.14%
Australian Shares	15.08%	16.08%	4.62%	3.53%	7.36%	7.22%	S&P/NZX NZ Government Bond	-2.20%					
Australian Top 20	13.11%	11.78%	3.28%	4.00%	5.93%		Overseas Bonds	1.35%	2.82%	4.88%	3.68%	3.99%	
Australian Mid Cap	14.96%	21.81%	18.68%	7.00%	12.53%		Overseas Non-government Bonds	1.40%	2.52%	4.13%	3.51%	3.40%	
Australian Dividend	13.61%	10.73%	-0.27%	0.20%	2.99%		Global Aggregate Bond	0.12%					
Australian Financials	20.25%	13.94%	-1.85%	-2.97%	0.91%		NZ Cash	0.16%	0.33%	0.79%	1.45%	1.69%	
Australian Resources	16.24%	16.48%	9.75%	9.39%	18.58%		UK Cash	-2.25%	-0.99%	-2.43%	-0.44%	-2.19%	
Australian Property	12.27%	16.23%	-4.82%	3.59%	6.36%								

*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.*

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