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INVESTMENT RETURNS

The investment markets over the quarter were dominated by commentary about China and Greece. China, because of the dramatic fall in its share market and Greece, because no one knew whether it would default on its debt and whether it will stay in the Euro. In both cases, particularly around Greece, the level of market uncertainty rose. As a result of the uncertainty, the “spare” money flowed away from Greece, away from Europe and even away from New Zealand, towards the perceived safety of the US and US cash. This saw the US dollar rise, some bond yields move slightly higher but stay low, and a high level of market volatility. The outcome was that overseas bonds declined in value and the quarter was one where global bonds had negative returns. While negative returns are undesirable, for most investors, quarterly returns are less important than 3 and 5 year returns, as the investor has no plans to realise the bonds short-term.

Returns to 30 June 2015 (after tax and fees)

	3 years	1 year
Cash	2.8% p.a.	3.1%
SuperLife ⁹⁰	6.4% p.a.	6.6%
Ethica	10.5% p.a.	7.8%
SuperLife ⁶⁰	10.1% p.a.	9.6%
OS shares (unhedged)	19.0% p.a.	28.1%

While Greece may continue to dominate the headlines for some time, from a long term perspective the uncertainty is not likely to change how you should invest your savings. While there are varying views on what will happen with Greece, it must be remembered that no one knows. In time, what is currently viewed as “risk” today, because of the uncertainty, will ultimately be viewed as “opportunity”.

2015 INVESTMENT SEMINARS

The final seminars for the year will be held in September and October 2015. They will be in Hawke's Bay, Auckland and New Plymouth. Details are on our website. You can register to attend a seminar online, or by emailing us at SuperLife@SuperLife.co.nz.

The keys to investing successfully

with Michael Chamberlain



DID YOU KNOW...

Life insurance

If you have a need for insurance payable on your death, SuperLife may be the answer. You can get cover through SuperLife. For example, \$250,000 of cover for a 40 year old female, who does not smoke, is \$3.09 a week. To see the premium rates at all ages go to <http://superlife.co.nz/costs.html> or phone SuperLife for a quote.

Buying your first home

Remember the rules for taking money out of KiwiSaver to buy your first home have changed. Amounts withdrawn can now include the government paid MTC's. You can take out all your balance above \$1,000. Check out our website for details on the changes.

Take your superannuation or KiwiSaver benefit as an income in retirement

Previously most New Zealanders, when they reached retirement, took their benefit as a lump sum. Now many leave their benefit in SuperLife and take it out as required. SuperLife lets members take out their benefit as a regular income, or series of lump sums to suit their personal needs. For details check out the booklet “Thinking about your retirement”.

Saving for a child's education - myFutureFund

myFutureFund, under SuperLife, lets you save for a child's future education costs. You can save as little or as much as suits your circumstances. myFutureFund is a good option for aunts, uncles, grandparents and parents to save for a child, as an alternative to giving a traditional present.

NZ Super rates

New from 1 April 2015
(net-of-tax at 'M')

- Married couple**
⇒ \$29,962 p.a.
- Single person living alone**
⇒ \$19,476 p.a.
- Single person (sharing)**
⇒ \$17,977 p.a.

MY FUTURE STRATEGY:

If I reviewed my investment strategy (i.e. mix of cash, bonds, property and shares) today and was concerned mainly with performance over the next 2 - 3 years, in the context of having longer term return goals, I would be thinking about modifying my "normal" strategy by:

- I expect that cash rates, will remain low over the next year. However, I would have my cash at least at the level of my anticipated investment expenditure over the next 3 years, given the uncertainty of the markets
- Holding less in bonds (and therefore more cash and shares), and favouring corporate over government bonds, and overseas over New Zealand.
- Maintaining exposure to the property sector about the neutral weight.
- Holding more shares and favouring Australasian shares over overseas shares, to benefit from the higher dividends of these markets. Within Australasia, I would continue to build a bias towards Australia.
- Reducing my emerging market share exposure so it is no more than about 15% of my overall share exposure.
- Maintaining the currency hedge on my overseas shares to be above my neutral position.

The above strategy does not take into account an individual's personal situation.

Also, as with all investment decisions, what might be the right strategy over the medium term, may not be right over the very short term. We really don't know what will happen over the short term. Also, check out the latest investment strategy article on the website.

The above comments are from MCA, our investment consultant.

After-tax returns (SuperLife superannuation)

Fund/Mix	Last quarter	Last 1 year (%)	Last 3 years (% p.a.)	Last 5 years (% p.a.)	Last 7 years (% p.a.)
Cash	0.8%	3.1%	2.8%	2.8%	3.1%
NZ bonds	1.2%	6.3%	4.3%	4.9%	5.5%
Overseas government bonds	-2.4%	3.6%	2.2%	3.8%	4.8%
Overseas non-government bonds	-3.9%	1.3%	3.1%	4.3%	5.7%
Property	2.4%	18.0%	13.3%	13.3%	6.1%
NZ shares	-1.6%	5.2%	17.5%	14.1%	10.6%
Australian shares	7.2%	15.4%	5.9%	4.5%	0.6%
Overseas shares currency hedged	1.5%	10.5%	16.8%	13.7%	6.2%
Overseas shares (unhedged)	9.9%	28.1%	19.0%	11.5%	5.2%
Emerging markets	9.8%	19.4%	8.2%		
SuperLife ^{Income}	-1.4%	3.5%			
SuperLife ³⁰	0.0%	6.6%	6.4%		
SuperLife ⁶⁰	1.6%	9.6%	10.1%	8.5%	6.2%
SuperLife ⁸⁰	3.2%	12.5%			
SuperLife ^{Growth}	4.3%	14.7%			
Ethica	3.9%	15.6%	10.5%	7.8%	6.6%
AIM ^{First Home}	-1.3%	3.7%	3.6%	4.5%	4.8%
the D fund	0.0%	6.0%	5.6%	5.6%	5.6%
Gemino	-5.6%	13.9%	13.4%	2.7%	4.7%
AIM ³⁰	0.8%	7.6%	6.4%	6.1%	5.3%
AIM ⁶⁰	2.8%	11.5%	9.2%	7.8%	5.1%
AIM ⁸⁰	4.5%	14.5%	11.1%	8.7%	4.9%
SuperLife ^{smartFONZ}	-2.8%				
SuperLife ^{smartMOZY}	0.8%				
smartConservative	0.0%				
smartBalanced	-0.5%				
smartGrowth	-1.3%				
UK Cash	11.8%	12.9%	4.3%		
UK Income	7.4%	14.5%	5.5%		
UK Growth	8.6%	16.0%	5.6%		

All returns quoted are after-tax at the top tax rate and after investment and asset related fees. An individual's returns may vary from the returns shown due to cash flows and different PIR tax rates. Past performance does not indicate likely future performance.

Investment strategy (SuperLife Funds)

The current allocations for the Managed Funds are:

