NEWS

to 31 December 2017

Investment returns *Invest for children* *New website* *My future strategy*

Investment returns

Global equity markets surged in the last few months of 2017. Many markets reached new highs, including New Zealand and the US. This performance caps off a very solid year for equities, with double-digit returns across most markets, with the stand out performer emerging market equities.

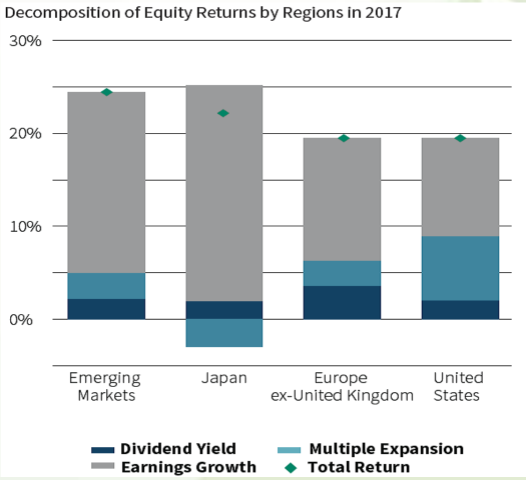
The SuperLife schemes' emerging market investment options returned more than 25% (net of taxes, costs and fees). Other SuperLife investment options generating sound returns in 2017 included the NZ and Australian Mid Cap stocks, Australian resource stocks, European and Asia-Pacific Stocks, and US large growth stocks (which includes companies like Amazon and Facebook).

Bond returns were much lower over the quarter and year in line with their lower level of risk. Our NZ bond fund returned around 5% for the year, whilst overseas bonds returned 4% for the year (net of taxes, cost and fees). This result was still well ahead of cash returns, indicating that bonds still offered a premium.

The returns to the SuperLife schemes' managed funds reflect their allocation to bonds versus equites. SuperLife60, which targets a 60% allocation to equities and property stocks, returned around 11.7%. Returns were higher for the higher risk SuperLife80 and SuperLife100 funds, and lower for the lower risk funds. The difference in these results highlights the importance of ensuring that your portfolio matches your time horizon and risk tolerance. A large long-term return is foregone having your savings in a low-risk fund if you have many years of working ahead, and are not looking to withdraw funds over the short term.

With markets delivering excellent returns over the past several years some commentators suggest a crash is "imminent". At some stage, equity markets may well suffer a decline, but no one can predict when this will occur, or its catalyst.

One important fact we do know, is that company earnings over the past few years in New Zealand and offshore has been very strong. Consequently, most equity analysts do not subscribe to the view that markets are "in a bubble". Much of the run up can be explained by increases in earnings, as illustrated in the chart to the right.



Source: MSCI, William Blair

SuperLife workplace savings scheme Returns to 31 December 2017 *(after tax, costs and fees)*	3 years	1 year
NZ Cash Fund	2.3% p.a.	2.0%
SuperLife30	6.0% p.a.	7.7%
Ethica	8.8% p.a.	10.2%
SuperLife60	8.3% p.a.	11.7%
NZ Shares Fund	12.6% p.a.	12.6%
Aust Shares Fund	13.9% p.a.	16.8%

A new website design is coming soon

You may have seen a link to the new SuperLife website (beta) on our current home page, which has been available for SuperLife members to test in recent weeks. We would love your feedback so tell us what you think by clicking "Feedback" at the top of each page. The new website is scheduled to go live at the beginning of February.

Invest for children – myFutureFund

At this time of year many families are thinking about the costs associated with children going back to school or starting further study. SuperLife Invest's myFutureFund is designed with flexibility in mind, so that anyone can save towards a child's future.

A nominated guardian makes all the decisions about contributions, choosing investment options and withdrawing investments until the child reaches age 25.

myFutureFund is not just for parents. More than one person can save for the same child at the same time, such as grandparents, other relatives, godparents and friends. Save as little or as much as you like. You can stop, start and change payments at any time, free of charge. Savings can be made regularly or by lump sum payments. In most cases, parents or grandparents will save on a regular basis e.g. $10 a week or $100 a month. Whether the savings are used for a child's education, health, a wedding, helping them into their first home or general life expenses, the myFutureFund guardian has the final say.

For more information, see the SuperLife Invest product disclosure statement which can be downloaded at superlife.co.nz/legal-doc.

NZ Super rates – from 1 April 2017 *(net-of-tax at 'M')*	
Married couple	$31,216 p.a.
Single person living alone	$20,290 p.a.
Single person (sharing)	$18,729 p.a.

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.

PERFORMANCE

to 31 December 2017

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My future strategy:

For an investor with long-term horizons, staying the course with your present investment strategy is usually the best option, subject to your goals, objectives and cash needs remaining broadly the same as when your strategy was established.

For investors with short-term cash needs, or who have taken more risk than they are normally comfortable with, the run-up in markets presents an opportune time to increase cash holdings.

For investors who are concerned with performance over a medium-term horizon (next three to five years or so) there may be an opportunity to enhance returns by tweaking your longer-term allocation to cash, bonds, equities and property stocks as follows:

- Holding less in bonds, and therefore more cash and shares. This reflects the view that interest rates may increase more quickly than is currently factored into bond prices given the strength of global growth and employment conditions, and the potential for this to increase inflation faster than expected.
- Favouring non-government (corporate) bonds over government bonds, given the risk of faster interest rate increases is more material for government bonds.
- Favouring value, emerging market and European stocks compared to US stocks. These markets are broadly assessed to offer more value than US stocks and in reflection typically trade on lower multiples.
- Maintaining holdings of property stocks and Australasian stocks at around your long-term allocation.
- Maintaining the currency hedge on overseas shares to be around your long-term allocation.

The above strategy does not take account of 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 do not know what will happen over the short term.

The above comments are from Aaron Drew, Principal, MyFiduciary.

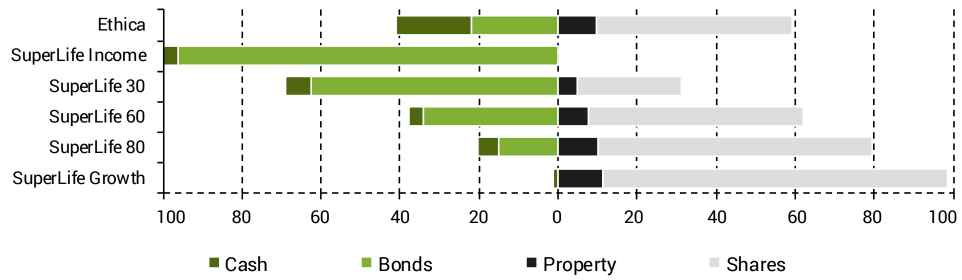
Returns after tax, costs and fees

(SuperLife workplace savings scheme, period ended 31 December 2017)

Fund	Last quarter	Last 1 year (%)	Last 3 years (% p.a.)	Last 5 years (% p.a.)	Last 7 years (% p.a.)
NZ Cash	0.5%	2.0%	2.3%	2.4%	2.6%
NZ Bonds	1.0%	5.1%	4.0%	3.8%	4.6%
Overseas Bonds	0.6%	4.0%	3.7%	3.0%	3.7%
Overseas Non-government Bonds	0.3%	2.3%	2.7%	3.0%	4.1%
Property	6.8%	14.1%	8.8%	9.9%	11.0%
NZ Shares	4.6%	12.6%	12.6%	12.7%	13.0%
Australian Shares	9.4%	16.8%	13.9%	5.8%	4.0%
Overseas Shares (Currency Hedged)	5.6%	18.3%	9.9%	12.9%	10.0%
Overseas Shares	7.2%	18.0%	11.0%	13.6%	9.0%
Emerging Markets	6.9%	27.5%	9.5%	5.5%	1.1%
Gemino	-10.6%	-25.3%	-8.7%	-2.0%	-3.9%
UK Cash	2.0%	5.6%	-0.7%	-0.5%	
SuperLife Income	0.7%	4.0%	3.5%		
SuperLife 30	2.5%	7.7%	6.0%	5.4%	5.5%
SuperLife 60	4.2%	11.7%	8.3%	8.1%	7.4%
SuperLife 80	5.3%	14.4%	9.9%		
SuperLife 100	6.5%	17.3%	10.8%		
Ethica	4.2%	10.2%	8.8%	8.4%	7.6%
NZ Cash ETF	0.5%	1.9%			
NZ Bond ETF	1.0%	5.2%			
Global Bond ETF	0.6%	4.1%			
NZ Dividend ETF	2.1%	10.4%			
NZ Top 50 ETF	6.0%	23.6%	13.4%		
NZ Top 10 ETF	5.0%	13.2%			
NZ Mid Cap ETF	7.3%	33.2%			
NZ Property ETF	6.6%	14.1%			
Australian Top 20 ETF	7.0%	11.1%			
Australian Dividend ETF	7.5%	12.1%			
Australian Financials ETF	3.9%	7.8%			
Australian Property ETF	8.5%	15.3%			
Australian Resources ETF	16.7%	30.9%			
Australian Mid Cap ETF	13.2%	27.0%	16.7%		
Total World ETF	8.0%	18.3%			
US 500 ETF	9.3%	15.9%			
Europe ETF	4.5%	22.3%			
Asia Pacific ETF	10.2%	22.6%			
US Large Growth ETF	9.1%	21.4%			
US Large Value ETF	9.2%	11.0%			
US Mid Cap ETF	8.2%	12.8%			
US Small ETF	7.7%	10.3%			
Emerging Markets ETF	7.6%	26.7%			

Where returns are not shown, the investment option was not available for the full period.

The current investment allocations for the managed funds are:



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