

Welcome

The last six weeks have been difficult for investors, with large drops followed by large recoveries in some markets. We expect global markets will remain very volatile for some time as the impact of COVID-19 becomes better understood.

Thank you for all your calls, emails, chats over this time. We like to answer questions, provide reassurance and share our views. Continue to reach out to us.

In line with the volatile global markets, SuperLife funds saw returns fall in the March quarter. We expect conditions to stay difficult. There is, however, comfort in the co-ordinated fiscal and monetary stimulus between central banks and their governments to keep economic activities going.

In 'Thoughts on investment', our view is that the global economy will take between 6 and 12 months, at least, before recovering.

We also share our views on the importance of long-term investment goals during volatile markets.

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

- Thoughts on investment
- PIR detailed guide
- Holding onto your KiwiSaver goals

Enjoy the read.
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Or email
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Or call

0800 27 87 37

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

Global share markets have had a roller coaster ride during the first quarter of 2020. After a few weeks of volatility, some calm has resumed in the global markets. The week prior to Good Friday, the S&P 500 had clawed back losses and retraced to August 2019 levels after major volatility. The S&P 500 also saw its biggest one-week gain of 12.1% seen since 1974 during that week.

What has underpinned global markets is the strong and unanimous support central banks around the world are giving their governments. Central banks are backing governments' fiscal rescue packages by making sure there is money supply available for banks to continue lending at low interest rates to support businesses.

The key geopolitical concern of a full-scale trade war between China and the US trade has taken a backseat as their leaders focus on tackling healthcare issues posed by Covid-19.

Threats of the global crude oil market imploding due to uncertainties over disputes between two major oil producers Saudi Arabia and Russia, have also subsided as OPEC, an organisation of major oil producers, has on April 12, 2020 announced plans to cut production by 9.7 million barrels per day or 10% of global production. Oil markets, however, remain volatile.

Over the next few months as the world grapples with Covid-19's impact, there will be many business challenges but there will also be opportunities. The fear factor in the global markets seems to have reached frenzied heights. Have equity markets reached their lowest levels? The key will be whether the economic stimulus packages around the world start to show some effect in rebuilding business activities.

SuperLife funds fell in the first quarter in line with severe volatility faced across global markets.

International equities

Returns from international equities fell 11.4% in the March quarter. Returns were up 1.9% over 12 months. (FTSE Developed All Cap Index in NZ dollar terms)

NZ equities

NZD equity returns fell 14.8% in the March quarter. Over 12 months, NZ equity fell 0.5% (S&P/NZX 50)

Emerging markets

In the March quarter, emerging market returns fell 14.9% and over 12 months, returns were down 7.1%. (FTSE Emerging Markets All Cap)

Trans-Tasman equities

Australian equities returns fell 23.1% in the March quarter. Over 12 months, Australian equities fell 14.4%. (S&P ASX 200 Total Return Index)

International fixed interest/bonds

Overseas bonds returned 1.6% in the March quarter and 6.2% over 12 months. (Bloomberg Barclays Global Corporate Bond Index NZD hedged).

NZ bonds returned 1.3% in the March quarter, 4.2% over 12 months. (S&P/NZX A-Grade Corporate Bond Index)

SuperLife Funds

SuperLife Income returns fell 1.01% in the March quarter. Returns rose 1.83% over 12 months.

SuperLife Conservative returns dropped 7.18% in the March quarter. Over 12 months, returns fell 2.58%.

SuperLife Balanced Fund returns fell 12.41% in the March quarter. Returns fell 6.12% over 12 months.

SuperLife Growth returns fell 16.27% in the March quarter. Returns fell 9.18% over 12 months. SuperLife High Growth returns dipped 19.82% in the March quarter. Returns fell 12.01% over 12 months.

SuperLife Ethica returns fell 12.34% in the March quarter; over 12 months returns fell 3.72%.

Thoughts on investment strategy

The far-reaching threat of a global pandemic has given investors a scary awakening. As recent as February this year, we were still experiencing record highs in the local stock market.

The US market wiped off three years of gain in one week but has since bounced back around 27%.

The indicators we use to gauge investor sentiment showed a high degree of feared selling similar to what was seen during the 2007/2008 GFC.

Although markets have recovered some grounds, we expect large price swings (both up and down) to continue,

It will be between six and 12 months, at least, before global economies make any meaningful clawbacks to the growth levels prior to Covid-19.

In an environment of fiscal and monetary stimulus, we will see low returns on cash and bonds, and possibly negative real returns (after factoring in inflation) if policy makers are successful in their efforts to mitigate the economic impact and avoid inflation. However, these asset classes remain a safe place to invest for conservative investors or those with short-term investment horizons.

High quality corporate bonds, those with strong balance sheets and sound debt management practices, could produce some attractive medium-term returns, especially those unfairly sold in the en-mass flight to safety.

In equity assets, healthcare will benefit from lockdowns and social distancing rules. Companies with applied and tested technologies to help people work, connect and shop online, will be attractive, as would funds holding these stocks.

Funds invested in companies that have been screened for environmental, social and governance measures for investing tend to do relatively well during turbulent economic times.

It is incredibly difficult to generate short-term gains by switching in and out of funds. The best strategy is often to invest more when others are fearful, and effectively accumulate assets at attractive prices.

What's important is making sure your investment strategy meets your own return objectives and risk tolerance. Our managed funds and age-steps models are diversified and designed to cater to different age groups, what their risk profiles are, and when their retirement investments will likely be cashed out.

PIR detailed guide

Remember to check you are using the correct prescribed investor rate (PIR). Check online if you have access, if not call 0800 27 87 37 to get help.

It makes sense to check your PIR is correct because Inland Revenue can now identify all income, including wage and salary, and investments, and will be able to work out what rate you should be on.

From April 1 2020, if Inland Revenue assess that you are on the wrong PIR, they can instruct SuperLife to change it. If you then think the rate should be different, you can also instruct SuperLife to change it and we are required to do so.

Holding onto your KiwiSaver goals

Read our online newsletter to find out why it is not ideal to switch funds when balances are falling. Neither professionals nor personal investors have a good track record when they try to time the market.

These thoughts on investment strategy do not constitute financial advice and do not take account of personal circumstances; rather, it is designed to illustrate possibilities. 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.

Returns after tax, costs and fees

SuperLife workplace savings scheme, period ended 31 March 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	3 years 5 years 7 years			Fund	Last quarter	3 years 5 years 7 years			
		1 year % p a	% p a	% p a			1 year % p a	% p a	% p a	
NZ Cash	0.12%	1.41%	1.71%	1.95%	2.18%	NZ Top 50	-20.36%	-7.80%	7.74%	8.55%
NZ Bonds	0.13%	2.54%	3.59%	3.55%	3.69%	NZ Top 10	-7.62%	7.09%	12.63%	
Overseas Bonds	-0.63%	2.46%	2.75%	2.80%	2.82%	NZ Mid Cap	-23.99%	-12.38%	6.65%	
Overseas Non-government Bonds	-3.18%	0.75%	1.81%	1.73%	2.50%	NZ Property	-20.08%	-3.70%	8.41%	
Global Property	-27.02%	-20.80%	-1.29%	1.90%	4.33%	Australian Top 20	-21.13%	-14.63%	-4.50%	
NZ Shares	-21.23%	-11.85%	1.90%	7.02%	7.94%	Australian Dividend	-26.87%	-22.25%	-8.96%	
Australian Shares	-25.58%	-20.42%	-5.46%	1.41%	0.42%	Australian Financials	-26.44%	-22.66%	-12.48%	
Overseas Shares (Currency Hedged)	-21.39%	-14.00%	-1.00%	2.13%	5.40%	Australian Property	-32.70%	-28.93%	-5.60%	
Overseas Shares	-12.75%	-2.17%	4.49%	5.83%	8.95%	Australian Resources	-28.78%	-25.38%	1.29%	
Emerging Markets	-15.69%	-8.77%	0.17%	2.04%	2.61%	Australian Mid Cap	-27.90%	-21.04%	-4.89%	2.15%
UK Cash	4.40%	5.21%	3.59%	0.66%	1.17%	Total World	-11.86%	-0.67%	4.87%	
SuperLife Income	-1.01%	1.83%	2.77%	2.76%		US 500	-8.47%	5.87%	9.46%	
SuperLife Conservative	-7.18%	-2.58%	2.11%	3.29%	3.79%	Europe	-16.35%	-6.53%	0.91%	
SuperLife Balanced	-12.41%	-6.12%	1.41%	3.69%	4.74%	Asia Pacific	-9.66%	-2.51%	1.77%	
SuperLife Growth	-16.27%	-9.18%	0.79%	3.76%		US Large Growth	-2.06%	15.13%	14.35%	
SuperLife High Growth	-19.82%	-12.01%	0.02%	3.52%		US Large Value	-14.17%	-2.61%	4.60%	
Ethica	-12.34%	-3.72%	1.73%	4.26%	5.35%	US Mid Cap	-14.61%	-4.32%	4.07%	
NZ Dividend	-25.31%	-18.23%	0.10%			US Small	-20.75%	-13.31%	0.85%	