

## Welcome

Welcome to the December quarter news.

I am delighted to let you know that Smartshares has exceeded \$4 billion funds under management (FUM) – an increase of 35% or \$1 billion-plus over the past years.

This is a win for SuperLife members and the best advertisement for the broad range of low cost, index tracking funds available to you through your membership of one or more of the SuperLife schemes.

SuperLife fund returns were positive across the board over the year to December 2019. Highlights were the SuperLife Balanced fund returning 14.8% and the SuperLife High Growth 21.1% (after tax and fees) for the year.

In “thoughts on investment”, our view is that the global economic outlook should gradually improve in 2020, despite short term impacts from coronavirus and politics in New Zealand, the US and Europe.

In the detailed News available online at [www.superlife.co.nz](http://www.superlife.co.nz):

- What’s your goal for 2020 and beyond?
- Managing your SuperLife managed income.

Enjoy the read.

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CEO, Smartshares

Do it online at  
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Or email  
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## Market update

Global share markets ended the year in stellar form as US-China trade tensions eased and monetary policy stimulus started having a positive impact on some key global leading economic indicators. It even seems that the UK and Europe will be able to agree an exit plan early this year. Some strength in the NZD towards the end of the quarter took some of the gloss off returns in global shares for unhedged investors. On the flipside, the gradual easing in geopolitical concerns and improving outlook for global growth resulted in meagre returns for fixed income investors during the quarter.

Both the Federal Reserve in the US and the RBNZ backed away from further easing, suggesting that enough had been done for now and further evidence of economic weakness would be required to cut rates further. Global growth is far from out of the woods, even though there have been signs of improvement. The US ISM manufacturing index showed that manufacturing activity continues to contract in the region, although the services index within the same survey remained strong as did employment. China’s business activity slipped in December after expanding throughout most of the year.

Improving expectations of a trade deal between the US and China also lifted the outlook for global economic growth and had the biggest influence on share markets during the quarter. While we doubt this is the end of the stand-off between the world’s two largest economies, the deal removes prospect of companies having to pay higher tariffs into 2020. Interestingly, the US’s own NBER (National Bureau of Economic Research) released a working paper showing that U.S tariffs have been passed on entirely to US importers and consumers.

The NZ share market continued its unabated trend due to low interest rates. NZ shares remain relatively attractive exhibiting defensive characteristics amid a turbulent geopolitical environment. Arguably,

stocks appear quite expensive but with easy monetary policy the hurdle rate for investment is low and earnings growth is sustainable. The fourth quarter showed a lift in NZ house prices, further underpinning household sentiment and consumption.

### International equities

International developed markets increased by around 2.1% over the quarter, lifting the annual return to 31 December toward 27.8% (FTSE Developed All Cap Index in NZ dollar terms). NZD hedged equity returns were up 8.9% in the fourth quarter and 28.5% over one year.

### Emerging markets

Despite on-going trade tensions between the US and China, emerging market equities were up 4.4% in the quarter (FTSE Emerging Markets All Cap Index), with an annual return around 20.6% to the end of the December quarter.

### Trans-Tasman equities

Easier monetary policy and global demand for higher yielding assets lifted NZ and Australian shares. The S&P/ASX 200 Index was up 0.7% in the third quarter and is now up 23.4% in the 12 months to 31 December. The S&P/NZX 50 Index 5.2% during the quarter and showing a stellar 30.4% over the 12-month period.

### Bonds

Global bonds have delivered -0.6% this quarter and are up 7.6% in the 12-months to the end of December (Bloomberg Barclays Global Corporate Bond Index NZD hedged). New Zealand investment grade bonds returned -1.1% for the quarter and around 5.3% for the year.

### SuperLife Funds

SuperLife fund returns were positive across the board in both the quarter and over the year to December 2019. SuperLife Income, had a return of around -0.4% over the quarter and 5.1% over the year. The SuperLife Balanced fund returned around 1.7% in the quarter and 14.8% over the year, while the SuperLife High Growth fund increased 3.2% in the quarter and 21.1% over the year.

Ethica, which invests into funds that have strict sustainability criteria, also performed well, returning 2.7% over the quarter and 18.2% over the year to December 2019.

