

## Welcome

Welcome to the June quarter news.

In this issue we discuss how markets continued their rally over the quarter ended 30 June 2019. All asset classes, including government and corporate bonds, property stocks and equities, enjoyed strong returns over the year-to-date, erasing the paper losses investors experienced last year. Some equity markets, including the NZ equity market, are at an all-time high.

Our regular My Future Strategy update continues to remind us that it is important not to be spooked by the market volatility.

Details of our new online withdrawal facility are in this issue, and also how Inland Revenue is checking your PIR.

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

- Following on from our article last quarter on Socially Responsible Investing and the power of engagement, we feature SuperLife's socially responsible fund Ethica
- KiwiSaver for the over 65s and over 60s
- Check the dates of the remaining seminars for 2019 at [www.superlife.co.nz](http://www.superlife.co.nz).
- Did you get your maximum KiwiSaver government contribution?

We welcome your feedback on the News. If you have topics you'd like us to cover please let us know.

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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](http://www.superlife.co.nz/legal-doc).

## Market update

Markets continued their rally over the quarter ended June. All asset classes, including government and corporate bonds, property stocks and equities, enjoyed strong returns over the year-to-date, erasing the paper losses that investors experienced last year. Some equity markets, including the NZ equity market, are on an all-time high.

There's an old investment mantra: "Don't fight the Fed". The Fed in this case is the US Federal Reserve which sets monetary policy and interest rates in the US. Historically, investors have done well when they align with how the Fed sets its monetary policy and this pattern has repeated over the past six months. The Fed has now completely backed off increasing rates in response to a slowing global economy and heightened trade war risks. Instead, there is speculation the Fed will likely cut interest rates in line with cuts that have already taken place in New Zealand and Australia. In response, markets and the range of Superlife funds have rallied strongly. Investors and active fund managers who reduce allocations to risky assets in response to the slowing economy – fighting the Fed – have missed out on this rally. See the box below for further discussion on the link between economic growth and equity returns.

### International equities

International developed markets increased by around 5.3% over the quarter, implying a 6.2% return for the year ended June 2019 (FTSE Developed All Cap Index in NZ dollar terms). NZD hedged equity returns were also solid, returning 3.9% for the June quarter.

### Emerging markets

Emerging market stocks have borne the brunt of the slowdown in global trade

and trade war fears. Despite this, emerging market equities returned around 3.6% in the quarter (FTSE Emerging Markets All Cap Index), sufficient to bring the annual return back into positive territory at around 6.1% for the year ended June 2019.

### Trans-Tasman equities

Trans-Tasman equity markets also enjoyed a strong quarter. Australian shares returned 8.1% in the June quarter (S&P/ASX 200 Index). New Zealand shares returned 6.8% in the quarter and 17.5% over the year to June 2019, a very strong performance both in absolute terms and compared to offshore equity markets (S&P/NZX 50 Index).

### Bonds

Global bonds returned 2.7% in the quarter and 7.3% in the year to June 2019 (Bloomberg Barclays Global Corporate Bond Index NZD hedged). New Zealand investment grade bonds returned 1.8% for the quarter and around 6.8% for the year.

### SuperLife Funds

Given the strong performance of markets, Superlife Fund returns were positive across the board in both the quarter and over the year to June 2019. SuperLife Income, which has no exposure to equities, had a positive return of around 1.7% over the quarter and 5% over the year (all figures in this paragraph are after fees and tax at the highest rate).

The SuperLife Balanced fund returned around 3% in the quarter and 6.4% over the year, while the SuperLife High Growth fund, which largely invests in equities and property stocks, increased 3.7% in the quarter and 6.9% over the year.

SuperLife Ethica, which invests into funds that have strict sustainability criteria, also performed well, returning 3.4% over the quarter and 7.1% over the year to June 2019.

## Economic growth and investment returns

Currently, global economic growth is slowing, with the Trump Administration's trade war being cited as the main culprit. World trade volumes before the trade wars were running around 5% per annum and global growth around 3.5%. Today, global trade volumes are flat and global growth has fallen closer to 3%. Looking forward, macro forecasters expect global growth to mildly decline further, conditional on how the trade wars evolve from here. What does this uncertainty mean for long-term equity returns? The short answer? Likely not a lot for investors holding broadly diversified portfolios, as the range of SuperLife funds are designed to be.

