

Lifestages KiwiSaver Scheme: Investment Commentary

As at 31 March 2020

Funds Administration New Zealand Ltd ('FANZ')
is the Manager of the Lifestages range of funds.

Welcome to your Lifestages KiwiSaver Scheme Report for the six-month period ending 31st March 2020.

We are dealing with a crisis for which 'there is no precedent'. Since the onset of the Covid-19 pandemic, every day brings some new extraordinary occurrence or statistic. The future is clouded by uncertainty.

However, we would do well to remember that being hit by a 'crisis without precedent' is itself not unprecedented. The world has been here before. The Great War was unprecedented, as was the Great Depression of the 1930s, as was the GFC in more recent times.

All these crises sent finance markets into a tailspin for a time, as this one is doing. And just as they began, these crises also ended.

I am telling you this because it always helps at such a time to pull back and take a broader view. Yes, this is a deadly serious, world changing situation. But it too will pass.

With that in mind, let's talk investment.

You will have seen the negative effect of the pandemic on your Lifestages KiwiSaver Scheme balance. There isn't a bottom line in the country – indeed, the world – that hasn't been battered by the shock.

It's not easy seeing your retirement savings suddenly move south, when for the past 10 years it seemed the only way was up.

But we should all see this market decline for what it really is and represents.

As I've already noted, markets have seen this sort of occurrence before. Every smooth run hits a rough patch eventually. Even more unusual was the decade of strong returns that preceded it, an extended surge which left many investors well ahead of expectations.

What this downturn emphasises is the importance of treating your retirement savings as a long-term project. In 10 years' time, when you look back at the overall growth of the previous 20 years, the current jolt is likely to have faded in significance.

If you have chosen our Lifestages Auto option, the makeup of your investment portfolio will be changing to match your stage of life. This creates an investment 'arc', using time to good advantage to help your savings grow to be at the level you want at retirement age.

It's also worth noting that for the next little while your KiwiSaver contributions will be buying 'at the bottom' – that is, acquiring shares and other investment options that are relatively very well-priced. This increases the growth potential of your portfolio considerably.

Here's an example: \$100 invested six months ago on 2 October 2019 in the Lifestages High Growth Fund bought you 71.1 units, while for \$100 invested on 18 March 2020 you received 88.1 units. This means that if the unit price starts to rise (for the sake of our example, let's say 20% over time to 1.44), the return on your 18 March investment (\$26.86) will be greater than that of the 2 October investment (\$2.38).

If you have any concerns or your situation has changed, it would be a good idea for you to get together for a review with a FANZ Adviser. Changes can be made – from the make-up of your portfolio to the level of the contributions you are making to it. We can run through all the options available.

This is a free service. We're here to support you and offer all the help we can. Please call 0800 727 2265 to schedule an appointment. A disclosure statement for each FANZ Adviser is available on request and free of charge.

Fund Information as at 31 March 2020

Fund	Unit Price	6 Months	1 Year	3 Years p.a
Income	1.1350	-0.08%	3.05%	2.68%
High Growth	1.2058	-15.59%	-7.14%	2.56%
Capital Stable*	2.9912	-3.45%	-0.24%	2.28%
Lifestages Auto				
Option 65+		-4.00%	0.65%	2.78%
Option 55-64		-6.34%	-0.84%	2.63%
Option 45-54		-9.44%	-2.88%	2.61%
Option 35-44		-12.53%	-4.99%	2.53%
Option 0-34		-15.59%	-7.14%	2.56%

The performance above is after deductions for charges but before tax and member fees.

*The Lifestages Capital Stable Portfolio is closed to new investors.

What is driving these returns?

Sharemarket volatility began with the breakdown of talks between OPEC and Russia on oil supply at the start of March. This tripped off a 31% plunge in oil prices and a 7% sharemarket slide. That proved to be the entrée for a main course provided by the global spread of Covid-19. The pandemic sent sharemarkets into a downward spiral. Some relief was provided by the RBNZ, Federal Reserve and other central banks slashing their official cash rates and by governments announcing massive fiscal rescue packages. Compounding the grave economic situation has been the lockdowns imposed by governments in most countries. This is having a massive impact on companies not deemed 'essential', resulting in plummeting revenues and increased job layoffs.

No-one knows when this crisis will end. At the time of writing this, there are signs of 'flattening curves' in parts of the world, including our own. This is encouraging, as is data out of China (the first country to experience Covid-19) which suggests their economy is starting to pick up. Let us hope the recovery starts later this year rather than next year. While some companies will be more adversely affected by these events than others, there will be businesses that come back stronger and thrive in the new environment.

More information available on www.lifestages.co.nz

More information on the Lifestages KiwiSaver Scheme is available on www.lifestages.co.nz

Under the section Covid-19 Advice and Updates you'll find the following:

- > An article on Dealing with a Dip
- > A video from the CEO discussing investment markets to March 2020
- > An article from the regulatory body FMA urging KiwiSaver investors to consider carefully before switching funds

And please go to the section KiwiSaver / Lifestages KiwiSaver Scheme for all these regular features:

- > Asset allocation of your fund / age auto profile
- > Current unit price and unit price history
- > The latest fund updates

More on the Scheme's investments, guidelines and investment policies can be read in the Scheme SIPO, found on our Lifestages website www.lifestages.co.nz/kiwisaver/lifestages-kiwisaver-scheme under Documents.

I'd like to thank you again for the opportunity to be your investment partner. Together, we'll come through these turbulent times, just as we have before. Please don't hesitate to contact us if you have any questions and may you and your family stay well.

Kind Regards,



Graham Duston, Executive Director
FANZ
Subsidiary of SBS Bank

Funds Administration New Zealand Limited (FANZ), a wholly owned subsidiary of SBS Bank, is the issuer and manager of the Lifestages KiwiSaver Scheme (the Scheme). For more information see the Lifestages KiwiSaver Scheme Product Disclosure Statement available on our website www.lifestages.co.nz or on the register of offers of financial products at www.disclose-register.companiesoffice.govt.nz.

Disclaimer

The information is of a general nature only and has not been prepared with regard to the individual needs of any investor. Details are current as at the date of preparation and are subject to change. Investments in the Scheme do not represent deposits or other liabilities of FANZ or SBS Bank, and are subject to investment risk. The investment risk includes possible delays in repayment and loss of income or contributions invested. The principal and returns of the Scheme are not guaranteed or secured in any way by FANZ, SBS Bank or any other person.