



Presbyterian Beneficiary Fund

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Members' Newsletter – February 2020

A message from the Chairperson

It's my pleasure to send you the first newsletter for 2020. I've recently taken over from Ian Russon as Chair of the Beneficiary Fund Trustee Company. Ian remains on the Board and as our Licensed Independent Trustee (but he has finished as a member of the Church Property Trustees after a number of years' sterling service).

It's our aim to have a Board that contains a mix of experience and new ideas, with appropriate expertise and wisdom. We were delighted to add Brian Dangerfield, from Mahurangi Presbyterian, to the Board last year. Brian brings extensive financial and executive experience to the table.



While Brian is relatively new to the Beneficiary Fund, I have been a Church Property Trustee for over 30 years and on the Beneficiary Fund Board since the company was established. There are times when that historical knowledge comes in handy. After all, the Beneficiary Fund is a long-term endeavor. We sit alongside Ministers from the day they start as a National Ordained Minister, through their working life, and then into retirement. For some, we support a spouse after the member's death.

But enough about history. What about the present? Despite turbulence in global politics and markets, the investment options continue to perform positively. The Cash Fund returned 1.6% for the year to 31 December (after all fees), the Conservative Fund 7.9%, the Balanced Fund 12.9%, and the Growth Fund 16.1%. These are good returns, reflecting strong sharemarket returns, but we're conscious it's not just about chasing high returns. We selected Mercer to manage the Fund's investments, not only because they adopt a strong socially responsible approach, but because they also adopt a well-diversified approach. This means investing in a wider variety of assets in the expectation of good returns across a variety of different market environments – not just when sharemarkets are going through the roof. In other words, it's about risk *and* return.

Our newsletter contains some useful information about Fund returns and investment markets activity. It also addresses a couple of recent member questions that I suspect others might like to know about.

Finally, as always, I'd like to take this opportunity to thank you for your support of the Fund and wish you all the best for 2020.

Best wishes

Margaret Galt

What's in this newsletter:

- An update from Mercer
- Fund performance report
- Member questions



What's been going on in markets?

2019 ended on a positive note, rounding out what has been a bumper year with global shares rising +27.3%. The US China trade relationship appears to have stabilised, expectations are that global interest rates will remain low throughout 2020 and the British general election appears to have reduced Brexit uncertainty. Healthy U.S. labour market data, robust consumer spending and improved manufacturing data have provided a supportive environment to developed share markets, despite a further softening in American economic growth.

In New Zealand, the economic environment remains robust; the economy grew by 0.7% over the September quarter, up from 0.1% in the June quarter. The New Zealand Treasury forecasts growth to pick up in 2020/2021, supported by fiscal spending and low interest rates. The labour market remains tight with 4.2% unemployment and business confidence has lifted to its highest level since 2017. Slowing export growth, lower net migration and easing household consumption remain potential threats to a positive growth outlook.

What can we expect in 2020?

As we move into the first quarter of 2020, the general theme remains unchanged: the global economy is experiencing a subdued pace of growth, with both the World Bank and International Monetary Fund (IMF) downgrading their near term growth predictions. Those predictions were weighed down by poorer than expected European manufacturing data and slower than expected growth in India. Despite downgraded projections for 2020, the global growth outlook remains broadly positive; the risk factors associated with Brexit and the US-China trade war have eased, boosting investor confidence or at least allaying some of their concerns.

In NZ, the Reserve Bank has expressed a willingness to cut interest rates further if growth declines and central government spending is expected to increase; we therefore retain our 'cautiously optimistic' outlook for future returns.

Will the Coronavirus affect your investments?

Market confidence has taken a hit in recent weeks, as investors assess the potential impacts of the novel coronavirus outbreak. The virus has spread rapidly throughout China, and cases have been reported as far away as the UK, Europe and North America. Little is known about the virus, though it is known to have emerged in early December 2019 in Wuhan, the largest city of central China's Hubei province. The mortality rate has remained stable at 2%-3% (significantly lower than for SARS and MERS), however, the number of confirmed cases has increased considerably.

The virus will undoubtedly lead to short-term (and potentially even medium-term) disruptions on fund returns and have a negative impact on global growth in the first half of the year at least. However, we retain conviction in our view that global growth should return to trend levels over 2020, backed by supportive central bank policies. Volatility, however, is likely to remain elevated in equity markets and the Chinese Yuan over the coming weeks as more news on the virus emerges.

What Socially Responsible Investing has the Beneficiary Fund been doing?

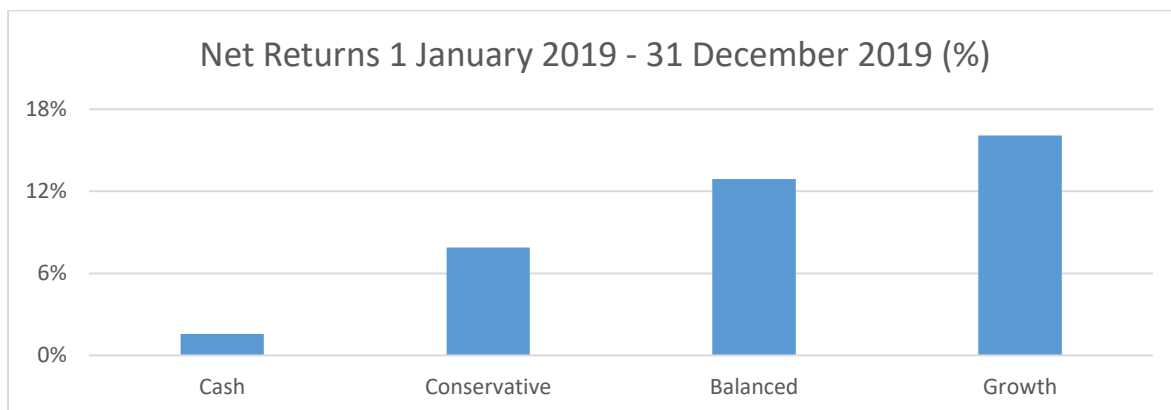
Your Funds focus on investing in companies that are conscious of ESG – Environmental, Social and Governance Factors. By way of a snapshot, over the last quarter your Fund invested in health companies that are finding new ways to cure and treat insomnia, type 2 diabetes and hyperuricemia.



How has the Fund performed?

Returns for each investment option (net of all fees and charges) for the year to 31 December 2019 are set out in the table and chart below.

	Cash	Conservative	Balanced	Growth
One year return	1.6%	7.9%	12.9%	16.1%



The unit prices for each investment option are:

New Benefits Section	Cash	Conservative	Balanced	Growth
Unit Price at 31 December 2019	1.5589	1.0910	1.1853	1.1420
Complying Section	Cash	Conservative	Balanced	Growth
Unit Price at 31 December 2019	1.5589	1.0910	1.1853	1.1420

Return information, along with unit price information for other periods, is available by calling the Fund's Administrator, Melville Jessup Weaver, on 0800 266 787.

Members' Questions

On the principle that, if one person is asking, chances are that others probably have the same question, here are a couple of questions members have asked – and the answers.

Please don't hesitate to ask questions of us or the Fund's administrator, Melville Jessup Weaver.

Funeral Benefit Question: Prior to the reconstruction of the Fund, every member was automatically eligible for a funeral expenses grant. What happens now?

Answer: The Beneficiary Fund no longer provides funeral benefits.

However, this was taken into account in the calculation of the amounts paid to members under the wind-up of the Defined Benefit section of the Fund. In other words, eligible ministers (those who were a member of the Defined Benefit section at wind-up) have, in effect, already received a pre-paid funeral grant.

Neither have those members who have joined the Fund after the wind-up of the Defined Benefit section missed out. Stipends and the Church's contribution to the Fund have been set at levels that compensate for the removal of this benefit (and others) from the Fund.



Financial Help Question: I'm in a spot of financial bother. Can the Beneficiary Fund help?

Answer: The purpose of the Beneficiary Fund is to assist ministers provide for their retirement. As a result, most ministers will only be access their savings on retirement. However, there are some exceptions. These include on leaving active ministry, purchase of a 1st home, and in order to avoid significant hardship.

So, yes, the Beneficiary Fund can provide assistance in some cases of financial hardship. Having said that, the threshold is very high. Using up retirement funds before retirement can mean deferring the problem until later on (rather than addressing it).

Before considering a hardship request, the Trustee will usually want to know if the minister has considered either a loan from the Burnett Loan Trust and/or a grant from the Benevolent Fund. Both these facilities have been created for the express purpose of providing financial assistance to ministers.

Please contact trustees@presbyterian.org.nz if you need information about financial assistance.

How you can find out more or get help

If at any time you need to make a withdrawal, change your investment option(s), find out information about your account balance or update your personal details, please contact the Fund's Administrator (Melville Jessup Weaver) at:

Phone: 0800 266 787

Email: presbyterian@mjw.co.nz

Melville Jessup Weaver
PO Box 11330
Wellington 6142

For all other enquiries please contact the Trustee at:

Phone: (04) 381 8296

Email: trustees@presbyterian.org.nz

Attention: Russell Garrett
PO Box 9049
Wellington 6141



You can also get additional information about the Fund at companiesoffice.govt.nz/disclose or on our website at presbyterian.org.nz/for-parishes/church-property-trustees/beneficiary-fund.

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