

# NEWSLETTER



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## Message from the Chair

Welcome to this summer edition of the Beneficiary Fund newsletter!

We hope this year has been a good one for you – and that you are able to celebrate the Christmas holiday season with family and friends, in some of your favourite places, eating some of your favourite foods.

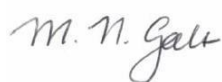
I am pleased to report that it has been another good year for Beneficiary Fund returns. The chart on page 3 illustrates just how good. Thanks to excellent returns from global shares, the Growth Fund returned 18.9%, the Balanced Fund 15.6%, the Moderate Fund 12.3%, the Conservative Fund 9.1%, and the Cash Fund returned 5.5% over the last 12 months to 30 November 2024<sup>1</sup>.

It is easy to get carried away by good returns, but they are not the be all and end all of investing. When the Trustee directors look at returns, we also look at how much risk has been taken to achieve those returns. Returns are primarily a function of risk. Those seeking higher returns need to be comfortable with greater volatility of returns, as the chart on page 3 also highlights.

Another part of our role is ensuring the Fund complies with our exclusion requirements (further described on our website at: <https://www.presbyterian.org.nz/for-parishes/church-property-trustees/beneficiary-fund>). That is, excluding from the Fund those companies and sectors we do not want to invest in, such as alcohol, tobacco, arms, and fossil fuels. We do not want to support these companies, but we do want to support companies bringing about a better future, for example, those working on the transition to renewable energy.

It keeps us busy and Trustee meetings interesting. That said, we're looking forward to a break over the holiday season so we can come back next year, refreshed for new challenges. We wish you and yours the very best for a blessed Christmas and New Year.

Yours in Christ



Margaret Galt



<sup>1</sup> All returns quoted in the Chair's Message are after fees and expenses.

## Investment Market Update

As we approach the summer fruit season here, US shares have been enjoying what seems like a perpetual summer, up 34% in the 12 months to 30 November 2024 and nearly 48% over the last two years. Not only has the US share market produced phenomenal numbers, but the US dollar has also strengthened, adding extra to returns for NZ investors (about half the Beneficiary Fund's global share investments are exposed to changes in currency exchange rates).

Just as US shares have dominated global share returns, technology stocks, or more specifically, the magnificent seven (see earlier newsletters), have dominated US share returns.

Other assets also experienced a strong 12 months. The NZ share market rose 16% to the end of November, listed property and infrastructure were up around 20%, and bonds returned between 7% and 8%.

These strong market returns translated to strong Beneficiary Fund returns as shown on page 3.



## What to expect from investment markets in 2025

As we close out 2024, the global economy is largely in good shape, thanks for the most part to the strength of the US economy. Inflation appears to have been brought under control around the globe, allowing central banks to reduce interest rates, which should provide a further boost to economic activity. This is not to say that we should expect smooth sailing for 2025. There are a number of crosscurrents under the surface.

One of those crosscurrents is, of course, what President Trump will do when he takes up the post once again in January 2025. He has threatened more significant tariffs against a number of specific countries and groups of countries. Some of these relate directly to trade and some to other matters, such as immigration. Whether his bite is as sharp as his bark remains to be seen, but the market expects some tariff increases and for these to be inflationary.

As a result, while interest rates are expected to continue to fall, US commentators have recently lifted the expected trough there from 3.2% to 3.7%. How far they fall in NZ remains to be seen. While the US and others have avoided recession, that's not the case here. High interest rates and cuts to government spending have resulted in a recession. Commentators here expect rates to trough somewhere between 3% and 3.5%. We might have to wait until later in 2025 before we see a turn-around here, although markets often look forward to the better times (before they arrive).

Another crosscurrent is the extent to which returns have been driven by a relatively small number of companies. This sort of dependency is not good for long-term returns. Investors expect so much



from these companies and there could be a shock if they disappoint. It is unlikely that share prices can continue to climb at the same rate.

The hardest crosscurrents to deal with are the ones you don't even know are there. It's the risks markets can't or won't see that tend to result in major corrections. As a result, whatever it is that brings this period of golden investment weather to an end – and it will end sometime – is probably not even on the minds of most investors.

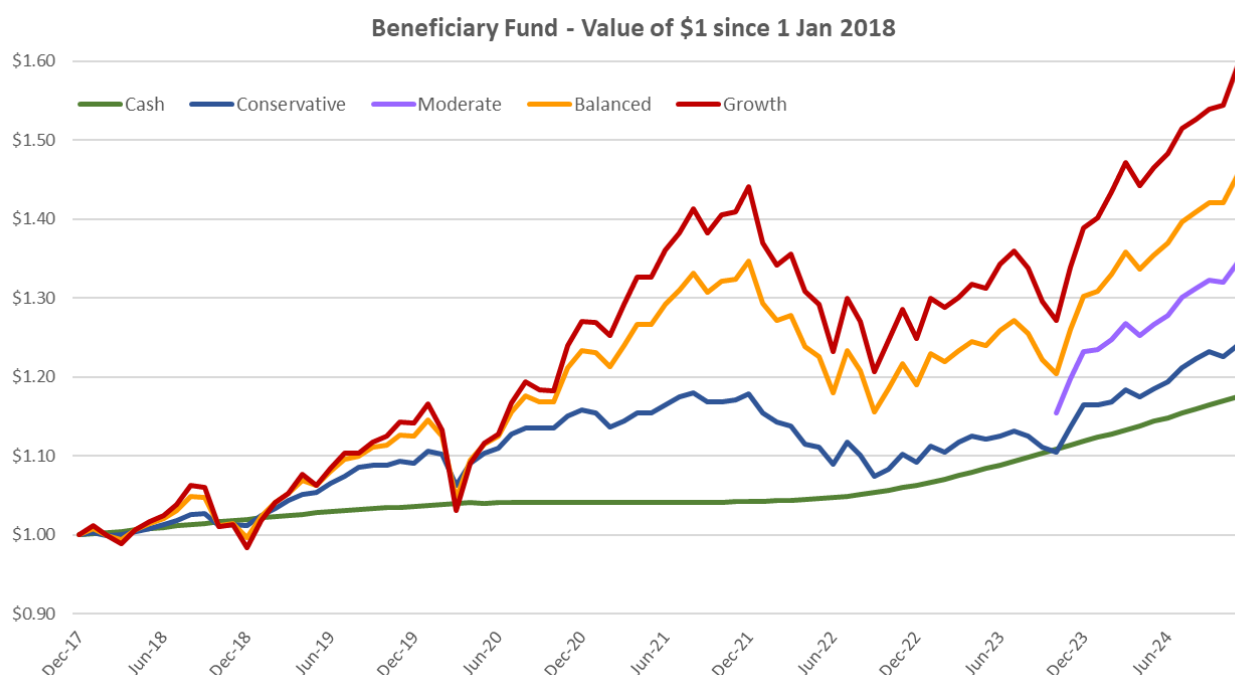
## Fund Returns to November 2024

The chart below illustrates the value of \$1 invested in most investment options available in the Fund since 1 January 2018 and from 1 November 2023 for the Moderate Fund (after fees and expenses).

It shows returns peaking at the end of 2021 after an amazing period following the initial Covid shock. After that, returns fell to a low point at the end of September 2022. This was followed by a period of ups and downs through to another low in October 2023.

Since then, returns have been on a steep upwards trajectory throughout most of 2024, with only a couple of bumps along the way. So much so, that the Growth Fund has risen 18.9% over the last 12 months and close to 10% p.a. since inception. The Balanced Fund is up 15.6% for the last year, the Moderate Fund up 12.3%, the Conservative Fund up 9.1% and the Cash Fund up 5.5% (after fees).

It's important to note that the last year's returns are above normal – easily twice the expected average annual return – and that returns normalise over time.



***The last 12 months have been excellent for investment returns***

The table below provides annualised returns after fees for each investment option for periods to 30 November 2024 (the Moderate Fund was introduced in November 2023).

<b>Presbyterian Beneficiary Fund – investment option returns per annum to 30 November 2024</b>					
	Cash	Conservative	Moderate	Balanced	Growth
1 year	5.5%	9.1%	12.3%	15.6%	18.9%
3 years	4.1%	1.9%	NA	3.2%	4.2%
5 years	2.6%	2.6%	NA	5.3%	6.9%

The table below provides unit prices for each investment option as at 30 November 2024.

<b>Presbyterian Beneficiary Fund – unit prices as at 30 November 2024</b>					
	Cash	Conservative	Moderate	Balanced	Growth
Unit Price	1.7756	1.2341	1.1093	1.5260	1.5851

## How much do I need to retire?

There has been a bit of recent media coverage on the topic of how much we need to retire on, so, we thought it might be useful to address this in our newsletter. Please note that what follows are some general comments, not financial advice. If you want to explore your position in more detail, we make some suggestions for useful websites, but as always, recommend you consider seeing a licensed financial adviser.



In short, there is no easy answer, but it can help to break it down into two questions: 1) what do I want my retirement to look like? and 2) how long will I be retired?

### What do I want my retirement to look like?

We're all different, so it's not surprising that our retirements might look quite different.

According to the latest [Massey University New Zealand Retirement Expenditure Guidelines](#), published in 2023, a 'basic' retirement budget (that provides a modest standard of living) for an individual living in a metro area (i.e. Auckland, Wellington, or Christchurch) is expected to require \$42,966 a year (and it's probably more by now). If you're a single person, you'll receive \$27,012 from NZ Super annually (after tax at 'M'), leaving a shortfall of \$15,954 each year in retirement. The research suggests you would need to save around \$350,000 (in today's dollars) to cover this sort of retirement income gap.

The Guidelines note that a 'comfortable' lifestyle requires more, and if you like travel, you'll need more again. On the other hand, it costs less to live outside the main centres. Most of our members are already retired, so they will have a good idea how much they need to spend. That said, life continues to evolve in retirement. The experts observe that we tend to spend less as we get older.

### How long will I be retired?

There are also two aspects to this: when we start and end our retirement. We have more of a say about the former. Some people work longer because they want to and others because they have to. Working later, whether full-time or part-time, boosts our retirement savings balance and reduces our time in retirement.

Of course, no one knows how long we'll be retired for, but it's worth noting that Presbyterian ministers (in general) have a track record of living long lives.

The [Sorted Retirement Calculator](#) is a great online tool that brings all these things together to help determine how much you need to retire on.

Finally, a reminder about the Presbyterian Benevolent Fund. This Fund exists to provide financial support to ministers. In addition to modest Special Needs and Sickness/Disability grants, the Fund has a retirement benefit grant available in certain circumstances to those who were members at the time the Defined Benefit section was wound up.

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**For information about your account balance and Fund details, or to request a withdrawal or investment switch, please call the Fund's Administration Manager, Melville Jessup Weaver (MJW), on 0800 266 787, emailing them at [presbyterian@mjlw.co.nz](mailto:presbyterian@mjlw.co.nz), or posting to PO Box 1096, Wellington 6140.**

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