

# NEWSLETTER



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## Chair's Message

What was all the fuss about? It was only April when I wrote to you with some concern about falls in investment markets caused by uncertainty about the impact of new tariffs announced by President Trump. Some of that uncertainty remains, but for now at least, it seems like normal service has resumed.

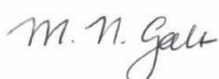
My comment that things don't always turn out as we might think, and that markets can quickly bounce back from shocks, was not based on a special prescience. Even so, the most optimistic would not have predicted the speed of the rebound. As a result, the returns to 30 June 2025 (see page 5) look very healthy. Over the 12 months to 30 June 2025 (and after fees and expenses) the Growth Fund returned 8.8%, the Balanced Fund 8.1%, the Moderate Fund 7.0%, the Conservative Fund 5.8%, and the Cash Fund 4.6%. However, that's not to say that everything will be smooth sailing from here. The Board retains a watching eye on markets.

Aside from markets, there's been a bit going on. The government announced some changes to KiwiSaver which will impact members of the Beneficiary Fund who use the Complying Section. Please check out the piece on page 6 for more detail on how they might impact you.

The Board has now reviewed the results of the recent member survey. Thanks once again for the tremendous response! We were pleased to find that most of you are quite satisfied with the Fund. As a result, we are not expecting to make any major changes to the way the Fund operates. However, there are one or two initiatives we will be working on. We also want to use our newsletter to provide more information about why we do things the way we do, and what you can do to improve your experience. We've started this on pages 2 and 3 of this 'bumper' newsletter, with more to follow.

Thanks once again for your support.

Yours in Christ



Margaret Galt



## Some Survey Questions and Answers

### ***Q: Why can't I deposit lump sums or contribute more to the Beneficiary Fund?***

**A:** Contributions to the Beneficiary Fund are restricted for two reasons.

- i. The first is that we don't want to be seen to, or be thought to, be abusing the special tax advantage enjoyed by members of the Fund. Members of the Beneficiary Fund do not pay tax on the investment income they earn in the Fund. Putting extra money into the Fund could be seen as a way of avoiding tax.
- ii. The second arises from a legislative exemption enjoyed by the Fund that restricts contributions to the Fund to payroll deduction only. Otherwise, we would need to engage in even more Anti-Money Laundering and Countering Financial Terrorism requirements, including verifying the identity of new members, understanding the nature and purpose of the investment, and verifying the source of funds. This would add to our costs and inconvenience our members.

Unfortunately, this means that any member with a KiwiSaver Scheme balance cannot transfer that balance into the Beneficiary Fund.

### ***Q: Why don't we get online access like other funds offer?***

**A:** The Board works to keep the costs of the Fund at a reasonable level. We are conscious that the costs of operating the Fund reduces the return available to members. Providing online access would cost more, reducing members' returns.

As a business, funds management is largely about scale; spreading fixed costs across as much money as possible. Compared with KiwiSaver Schemes, the Beneficiary Fund is very small. That is, we don't have sufficiently sizeable funds under management to be able to offer all the 'bells and whistles' you might find elsewhere. However, we think it's worth the Church continuing to offer the Fund because of the tax advantage it provides to members.



There may come a time when the tax advantage is offset by the higher (relative) costs of running a small fund, but provided we exercise diligence, we think that point is some way off yet. The Fund is currently fortunate to benefit from a fee subsidy from the Presbyterian Benevolent Fund, keeping costs of the Fund at a very reasonable level.

Finally, online access can be good, but it has its downsides. There is some evidence that those who look at their balances more often are more likely to make frequent changes to their investment strategy, which typically generates worse results.

### ***Q: Why can it take a while to process a full withdrawal?***

**A:** Once again, there are a couple of factors that affect the time it takes to process withdrawals.

- i. The first is the time it takes to get the funds out of the investment market and into a bank account. Your funds are constantly invested in accordance with your chosen investment strategy. To process a withdrawal, we need to get the funds from the investment manager into the Fund's bank account and then pay those funds to you.

- ii. The second is a legal requirement for MJW, the Fund's administration manager, to comply with Anti-Money Laundering and Countering Financial Terrorism requirements when paying withdrawals. MJW is obliged to verify the identity of those to whom it is paying funds.

We hope this provides some comfort to members.

***Q: What is the Presbyterian Benevolent Fund?***

**A:** The Presbyterian Benevolent Fund was created as part of the wind-up of the Beneficiary Fund Defined Benefit section in 2017 to provide for the financial support of ministers. This support is available in three different circumstances:

- i. Special Needs – grants of up to \$6,000 per person (every two years) for extraordinary expenses not able to be met from existing resources. Available to ministers and their family. The Benevolent Fund typically makes around 10-12 Special Needs grants each year.
- ii. Sickness or disability – grants to assist with living costs, and rehabilitation or medical costs, for those who are not able to perform their role as a minister. The Fund has only made a few grants under this category since it was established.
- iii. Retirement Support – for those ministers who were members of the old Defined Benefit section of the Beneficiary Fund and who believe they were disadvantaged by the wind-up process (typically because their Beneficiary Fund balance has run out despite prudent saving and spending). The Benevolent Fund has not yet made any grants under this category.

More detail about the Benevolent Fund and how to apply can be found on the PCANZ website [here](#). There is also a new fund, the **Wigston Shannon Fund**, available for the purpose of providing financial assistance to the spouse or partner of a deceased minister. You can find out more information about this fund from the Church Property Trustees.



***Q: How can I find out about fees and charges?***

**A:** Fee information is available in a few places, including:

- i. Product Disclosure Statement (PDS) – the PDS is the primary offer document for the Fund, which must also follow a format prescribed by the government. It sets out key information about the Fund that should help you make informed investment decisions. The PDS includes expected fees and charges and can be found on the PCANZ website [here](#).
- ii. Fund Updates – the Fund is required to prepare a Fund Update (adopting a standard format set out by the government) each year for each investment option. Each Fund Update provides details of investment returns, asset mix, and fees and charges for each investment option. The latest Fund Updates can be found on the PCANZ website [here](#).
- iii. Annual Report and Financial Statements – for those members who like numbers, the financial statements provide a breakdown of the Fund's expenses. The Annual Report and Financial Statements can be found on the PCANZ website [here](#).

The Board monitors fees and charges, and compares these to other funds, including KiwiSaver and other workplace savings schemes. We are fortunate that the fee subsidy from the Presbyterian Benevolent Fund keeps the Beneficiary Fund fees at a very competitive level.

## Market Update

The announcement of extensive US tariffs on 2 April 2025, had profound and immediate effects on global financial markets. In the US, technology stocks fell 6% in a single day, while the US sharemarket lost over 10% from its February peak, wiping out trillions in market value. Asian markets followed suit, with a number falling by around 10%. European indices also slid, driven by fears of retaliatory tariffs and weakened global demand.

At this point, it was thought that things might continue to get worse. Instead, global markets rebounded and by the end of April share prices were almost back to where they were at the start of the month. By 30 June 2025, both the broader US sharemarket and the influential NASDAQ stock market (which focuses on technology companies) recorded new highs.

So, how did we go from the threat of a global investment meltdown to record highs?

Instead of a full-blown trade war, investors took the view that tariff threats are more of a negotiating tactic than a commitment to immediate action. This was supported by delays, announcements of reversals, and a willingness from officials to enter into negotiations. Moreover, while there has been some disruption to trade, company earnings have remained strong, particularly in sectors like technology and consumer discretionary, boosting investor confidence. This has been further supported by positive US economic indicators, such as robust job growth and consumer spending.

Of course, this is in sharp contrast to our experience here in NZ, where our economy is struggling, jobs are hard to find, and consumers are having to budget to meet daily costs. But from an investment perspective, what happens to US companies is far more important because the Beneficiary Fund investment options have more exposure to global assets than NZ assets, and the US makes up the majority of the global exposure.

## Where to from here?

While trade tensions remain a concern, the prevailing view is that governments have strong incentives to avoid tariff escalation, keeping investor sentiment buoyant. But it is too early to tell whether we are out of the 'tariff woods' just yet. What's more, President Trump's approach is designed to keep everyone on their toes. The most predictable thing about his policy moves is that they are unpredictable, subject to



immediate change, and inconsistent. Political scientists call this the Madman Theory, while some are now referring to TACO (Trump Always Chickens Out) Trump.

This means that markets remain susceptible to another shock, particularly because current US share prices reflect an optimistic view of things. Owning lots of US technology stocks has been great for returns over recent years. However, given the heightened uncertainty and ongoing geopolitical tensions, our fund manager currently prefers a more diversified investment approach: not putting all your investment eggs in one technology stock basket as it were.

That said, we can take some comfort that the US economic backdrop remains positive, and that in time, it is these fundamentals that drive share prices. While economists still expect tariffs to weigh on economic activity, and we are seeing growth slow around the globe, this is offset by expectations that Central Banks will keep lowering interest rates. Lower interest rates reduce costs, encourage investment, and should support company earnings (and therefore, share prices). We hope that lower NZ interest rates will, at some point, help our economy (and share prices) recover.

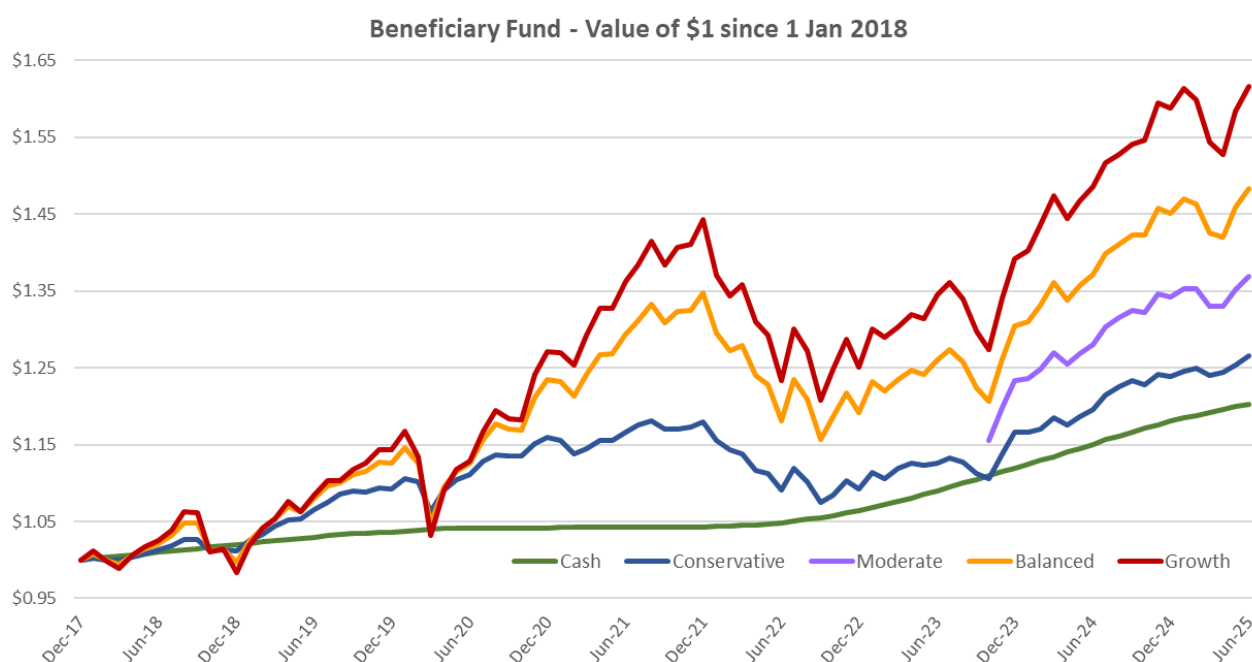
## Fund Returns to 30 June 2025

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 (the Moderate Fund was introduced in November 2023).

It shows returns first 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. Returns have largely risen since then, with the exception of some sharp drops in October 2023 and early 2025. However, on both occasions, markets soon recovered.

The most recent recovery has been considered remarkable by some. Despite ongoing uncertainty around tariffs and the continuation of brutal wars in Ukraine and the Middle East, investors have been happy to push global share prices ever higher.

The chart nicely illustrates the relative performance of the different investment options, from the relatively smooth path of the Cash option to the more volatile Growth option.



### ***Markets have bounced back remarkably since the tariff tantrums***

The table below provides annualised returns after fees and expenses for each investment option for periods to 30 June 2025 (the Moderate Fund was introduced in November 2023).

<b>Presbyterian Beneficiary Fund – investment option returns per annum to 30 June 2025</b>					
	Cash	Conservative	Moderate	Balanced	Growth
1 year	4.6%	5.8%	7.0%	8.1%	8.8%
3 years	4.7%	5.1%	NA	7.9%	9.4%
5 years	2.9%	2.6%	NA	5.7%	7.4%

The table below provides unit prices for each investment option as at 30 June 2025.

<b>Presbyterian Beneficiary Fund – unit prices as at 30 June 2025</b>					
	Cash	Conservative	Moderate	Balanced	Growth
Unit Price	1.8161	1.2571	1.1279	1.5511	1.6051



## Changes to KiwiSaver

The government recently announced some changes to KiwiSaver. There are two key changes relevant to members of the Beneficiary Fund who save via the Complying Section.

### 1. Government Contribution

From 1 July 2025, the government contribution has dropped from 50 cents to 25 cents for each dollar you contribute to the Complying Section (or KiwiSaver) each year, reducing the maximum government contribution from \$521.43 to \$260.72. And if you earn more than \$180,000 of taxable income a year, you no longer qualify for the government contribution at all.

So, for the year just gone (to 30 June 2025), if you contributed \$1,042.86 or more to the Complying Section, you will soon receive a government contribution of \$521.43. This time next year, if you have contributed \$1,042.86 or more (in the year to 30 June 2026) and earn less than \$180,000, the government contribution will be \$260.72.

### 2. Minimum Church (Employer) Contribution

From 1 April 2026, the minimum Church or employer contribution rises from 3% to 3.5% (of your stipend or salary). Both members and the Church (employer) will still each be required to contribute 5% (unless you are a Kindred Service member with a different contribution regime), but if you are contributing at least part of your contribution to the Complying Section, then the minimum Church (or employer) contribution to the Complying Section will increase to 3.5%.



Please note that members of the Beneficiary Fund are not required to increase their minimum contribution to the Complying section to 3.5%. That is, members can continue to contribute 3% to the Complying Section (and therefore 2% to the New Benefits Section), but the Church (employer) must contribute 3.5% to the Complying Section (and 1.5% to the New Benefits Section).

From 1 April 2028, the minimum Church or employer contribution will rise again to 4%.

**For information about your account balance and Fund details, 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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