



Presbyterian  
**Beneficiary Fund**

**FEB  
2023**

# NEWSLETTER



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## Message from the Chair

Hello and welcome to 2023!

It's supposed to be the height of summer, hence the summer theme for our first newsletter of the year. However, as I write, Auckland and parts of the upper North Island are experiencing floods following unprecedented amounts of rain. Our prayers are with those who have been affected. Wherever you are, I hope you managed to enjoy something of summer over the break.

While 2023 has not started well weather-wise, it has been a good start to the year for the Fund's investments. As the Investment Market Update on page 2 and data on page 3 illustrate, returns for January were very good, and are now some way off their lows from September last year. Since then, the Conservative Fund is up over 3.5%, the Balanced Fund nearly 6.5%, and the Growth Fund over 7.5%. Returns from the Cash Fund are also improving, rising over 1% over the last four months.

That said, 2022 was a horrible year for the Fund's investments. As we have discovered, falls in bond prices, like the weather, were also unprecedented. Congratulations if you managed to remain patient. We hope you are rewarded with better returns in 2023.

We have a lot of members who have retired or are about to retire. Page 4 looks at some aspects of the Fund that are particularly relevant to these members.

The Board was delighted to welcome Rev Sharon Ross Ensor as a new director at our November 2022 meeting. At the same time, we acknowledged the departure of Ian Russon, a long-time trustee, director and former Chair. We thank Ian for his dedicated service and invaluable contribution to the life of the Fund, especially during the 2017 re-structuring.

Yours in Christ

Margaret Galt



## Investment Market Update

2023 has begun in a much more positive fashion than did 2022.

Last year was all about dramatic increases in interest rates as central banks raced to catch up with and curb inflation. Central banks have gone from full speed ahead during the Covid pandemic to rapidly applying the brakes. Interest rates, that were once at record lows, are now several percentage points higher and still rising. While many of us can remember past interest rates at much higher levels, it is the low base and pace of change that has had such an impact.

### Toughest on the Conservative Fund

The impact has been most pronounced on bonds: e.g., NZ Government bonds fell by over 9% in 2022, with global government bonds down by nearly 13%. Falls of this magnitude are extremely rare. Bonds are supposed to be the stable element of a diversified investment portfolio, providing regular interest income and protection when share prices fall.

However, bonds, like all other investment assets, have a price. When interest rates rise quickly, investors are able to earn more from new bonds that are issued at higher interest rates. Existing bonds, paying older and lower rates of interest, are now worth less, so their price falls.

This had a major impact on the Conservative Fund, which fell by -7.4% after fees in 2022. Balanced Fund (-11.7%) and Growth Fund (-13.4%) investors suffered too, with share prices falling over the year. Changes in interest rates also affect share prices as interest rates are used to calculate the value of future earnings. Higher interest rates diminish the value of future earnings. On the plus side, returns from the Cash Fund finally started to lift, up +2% over 2022.

Our members were not alone in experiencing painful returns. The median KiwiSaver Conservative Fund fell by -8.5% (after fees) and the median KiwiSaver Balanced Fund fell by -12.7% over 2022.

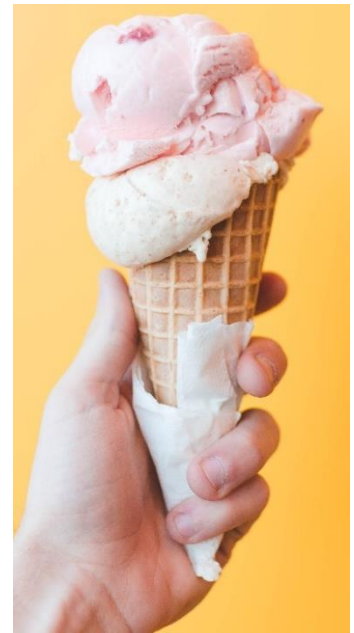
### Are we through the worst of it?

The good news is that the central bank's efforts are starting to work. There are signs that inflation is coming down. Markets have responded favourably, rising in three of the last four months. The Conservative Fund rose by close to 2% alone in January 2023, with the Balanced Fund up close to 3.5%, the Growth Fund up by 4%, and the Cash Fund rising over 0.3%. That said, the chart on page 3 illustrates just how volatile investment returns have been over the last 12 months or so. It also highlights how difficult it is to "time" the market and that patience is probably the most important investment skill of all.

### What to watch out for

The path of future investment returns will likely depend on the pace at which inflation slows, how much further interest rates rise, and how much the economy slows as a result. Whereas markets were worried that the global economy was heading for a recession, the most recent International Monetary Fund predictions are more benign. It expects most economies will slow through 2023 but avoid recession (except for the UK). This scenario is known as a "soft landing", which should be favourable for investment returns. The alternative is a "hard landing", which usually means significant unemployment, lower company profits and falling share prices. It is fair to say there remains a lot of uncertainty about the outlook.

Regardless of the outcome, Conservative Fund investors are unlikely to experience a repeat of 2022. Interest rates are near their expected peak, and even if they rise further, they are coming off a much higher base level (so any changes will be more incremental). And if we do end up with a recession, we can expect interest rates to fall, which will provide a boost to bond prices.

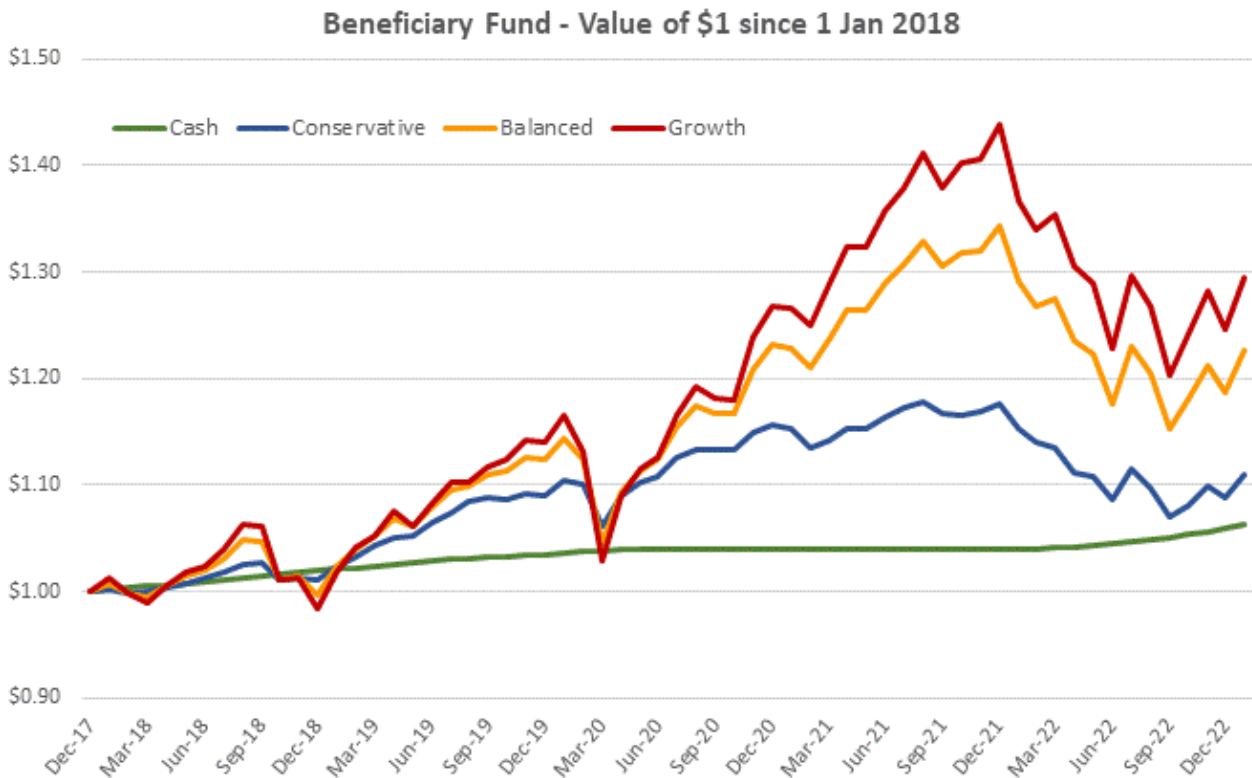


## Fund Returns

The chart below illustrates the value of \$1 invested in the various investment options available in the Fund since 1 January 2018 (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 what we hope is the low point at the end of September 2022.

Since June last year, while returns have continued to be volatile (down one month and up the next), the overall trend is now upwards. The Conservative Fund is up by over 3.5% over the last four months, the Balanced Fund is up nearly 6.5%, and the Growth Fund is up more than 7.5% over the same period. After a lengthy period of hardly any return, rising interest rates are flowing through to better returns from the Cash Fund, which rose over 1% in the four months since September 2022.



**Returns have improved since a low in September 2022**

The table below provides annualized returns after fees for each investment option for periods to 31 January 2023.

<b>Presbyterian Beneficiary Fund – investment option returns per annum to 31 January 2023</b>				
	Cash	Conservative	Balanced	Growth
1 year	2.3%	-3.7%	-5.0%	-5.2%
3 years	0.9%	0.1%	2.3%	3.6%
5 years	1.2%	2.1%	4.2%	5.3%

The table below provides unit prices for each investment option as at 31 January 2023.

<b>Presbyterian Beneficiary Fund – unit prices as at 31 January 2023</b>				
	Cash	Conservative	Balanced	Growth
Unit Price	1.6113	1.1097	1.2921	1.2960

## Retired – or nearing retirement

### Your choices

You have a number of choices when you retire. Among these is do nothing. Your savings will continue to be invested as they have done, ready for when you want to act.

When you are ready, you can also:

- Change your choice of investment option – retirement can be a significant life milestone, and such milestones are often a good trigger to review your investment risk profile. As always, we recommend seeking the advice of a licensed investment adviser.
- Set up a regular monthly withdrawal – just ask MJW for a form (see contact details below).
- Withdraw all or some of your money in a lump sum (once again, ask MJW for a form) – however, please remember, if you withdraw your funds, you forgo the tax advantage provided by the Fund and are not able to return that money to the Fund at a later date.

### Presbyterian Benevolent Fund

The purpose of the Benevolent Fund is to provide financial support to ministers and their families in certain circumstances. It offers a Special Needs Grant of up to \$5,000 (every two years) for extraordinary expenditure, whether or not you have retired. In limited circumstances, it also offers retirement support to those who have retired. Please email the Trustees for an application form if you need to apply for support from the Benevolent Fund ([trustees@presbyterian.org.nz](mailto:trustees@presbyterian.org.nz)).

### What about the end of retirement?

- *Nominated Spouse* – if you have a nominated spouse, when you die, any balance remaining in your Fund account immediately belongs to your spouse. In this event, they will be contacted by MJW and will be able to take any of the actions outlined above.
- *Power of Attorney* – if you are worried about not being able to manage your account at any point, you are able to appoint a Power of Attorney who can make decisions about your Fund account on your behalf.
- *Will* – if you do not have a nominated spouse, when you die, any balance remaining in the Fund becomes part of your estate and will be dealt with as determined by your will. We strongly recommend you keep your will up to date.



Information about your account balance and Fund details are available by calling 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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