



Presbyterian Beneficiary Fund Trustee Limited

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Members' Newsletter – May 2019

A message from the Chairperson

In February I wrote to you about the importance of remaining patient during times of investment volatility and sticking to your investment strategy – provided you are comfortable your chosen investment option is well-aligned with your financial needs, goals and tolerance for risk.

It doesn't always happen so quickly - although it's surprising how often it does – but we're pleased to report that the Fund's investments have already recovered from the falls incurred at the end of last year and have, once again, forged ahead into positive territory. Members who were able to see past short term price fluctuations and resist the urge to tinker with their savings plans have subsequently been well rewarded with healthy returns. Returns for the diversified investment options over the last 12 months range from 4.4% for the Conservative Fund to 6.4% for the Growth Fund – well ahead of what you might get from after tax term deposit returns.

As we said in February, while we are confident the ups will outnumber the downs in investment markets over the medium to long term, there will continue to be fluctuations in performance (including negative returns) over shorter time horizons. If you are concerned by this prospect, it is better to review your position now (while your savings are growing) to make sure you are comfortable



with your current investment option. Making sure of this now is much better than finding yourself in the position of no longer wanting (or being able) to hold your course if markets experience another drop. So while our view is that market volatility is normal and, in and of itself, is not usually a reason to change your investment strategy, we have, once again, included our investor questionnaire and a summary of each of the Fund's investment options in case you want to double-check you're comfortable with your current position.

What's in this newsletter:

- An update from Mercer
- Fund performance report
- Your help required please
- How to stay informed

Supporting the Christchurch Call

We are pleased to see that the Fund's investment manager, Mercer, has joined with others to engage with social media companies in an effort to strengthen controls around the content made available on social media platforms. The lack of regard and responsibility shown by these companies is both disappointing and disturbing, and we expect substantial improvements. In addition to direct engagement by the investor group, the group is also supporting Prime Minister Ardern's Christchurch Call initiative. It is great to see that Mercer was able to add its \$350 billion of assets under management globally to the cause.

This is just one example of the sort of sustainable investment action we expect from Mercer. We also know that over the last six months, Mercer and the specialist managers it uses, have engaged with companies to improve outcomes on a range of important issues, including climate change, diversity and inclusion, pollution, living wages, and supply chain management. We were also pleased to hear that the Fund's global share companies have 50% more 'green' revenues than average (from activities associated with water sustainability, energy conservation and pollution prevention), and that the portfolio's carbon footprint is less than 60% of the average.

The aim is to generate strong returns while acting responsibly.

Thank you, once again, for letting us manage your retirement savings.

Best wishes



Russell Garrett



An update from the manager of your savings – Mercer New Zealand

Market Commentary

In stark contrast to the December quarter, the March quarter delivered good news for investors. Equity markets led the charge, rebounding sharply over the three months. January delivered the highest monthly returns since 1987 on the back of an apparent softening in trade tensions between the US and China, more patient and cautious monetary policy from Central Banks, and stronger than expected company earnings. The recovery carried into February and March, with global shares finishing up +13% for the quarter.



Central Bank activity played a major role over the quarter. This included a particularly telling announcement in early January that the United States was unlikely to increase interest rates for at least the rest of the calendar year. This helped calm investors' fears following the weak finish to 2018. Equity markets responded positively, setting the tone for much of the quarter. The positive tone was also reflected in gains for those assets influenced by interest rates, including property and infrastructure companies, and bonds. Lower interest rates typically push up the prices of these assets as investors chase the higher yields offered by these assets.

Domestically, the Reserve Bank of New Zealand joined its international peers in adopting a more dovish stance on interest rates and opened the door to possible cuts (which eventuated in May). The low interest rate outlook here also provided a tailwind for bonds and the high-dividend yielding NZ share market.

The net result was very positive for investment funds, with all funds recouping losses made in the 4th quarter of 2018.

Market Outlook

As we enter the second quarter of 2019, the global economy is thought to be in the mature stages of its economic cycle, with growth moderating. However, while economic growth is forecast to moderate, it will be underpinned by the recent cautious turns from Central Banks, the broadening range of stimulus measures in China, and an eventual rundown in excess global manufacturing inventories. So while corporate profits remain under pressure (which could become a headwind for global equities) we believe the overall economic environment remains supportive, with moderate but solid global growth and low inflation in the medium term.

This largely positive outlook is at risk of upset from political events, including trade talks between the United States and China, and ongoing uncertainty over the outcome of Brexit negotiations.

In New Zealand, despite growth in the last quarter of 2018 being weaker than expected, the local economy remains relatively robust. In its February Monetary Policy Statement, while noting the slowing global outlook, the Reserve Bank highlighted that the domestic economy would continue to be supported by a low interest rate environment, a labour market which is operating at close to full employment, residential housing investment driven by Kiwibuild, and healthy net export volumes.

Overall, we favour a relatively healthy outlook, and continue to believe that 2019 will produce positive returns for investors, albeit with the prospect of continued volatility.

Supporting the Christchurch Call

Mercer has joined with other New Zealand and global investors to support the Christchurch Call. Launched on 15 May as part of the Tech for Humanity meetings in Paris, the Christchurch Call is an initiative of New Zealand Prime Minister, Jacinda Ardern and French President, Emmanuel Macron. The Christchurch Call sets out voluntary commitments for governments, companies and wider society to work together to eliminate terrorist and violent extremist content online.

In the immediate aftermath of the Christchurch terrorist attack, New Zealand-based investors, joined by others from around the world, moved to collectively engage with the social media companies, Facebook, Google and Twitter. The objective of the engagement is to get the social media companies to strengthen controls that will prevent the live streaming and distribution of objectionable content. The investor initiative supports the Christchurch Call. Part of our engagement with social media companies will involve monitoring and ensuring accountability for the Christchurch Call commitments made.

The investor initiative now has 55 funds participating (28 from NZ and 27 international), representing more than \$5 trillion of assets under management, including \$350 billion under Mercer's management globally.



We have also worked extensively with our Responsible Investment team, clients and Board to further develop the ethical exclusion component of our Responsible Investment Policy. Our Controversial Weapons exclusion now excludes producers and retailers of civilian automatic and semi-automatic weapons. We are pleased to report that as at 31 March (prior to the Policy amendment coming into force) no offending companies were held in the portfolio.

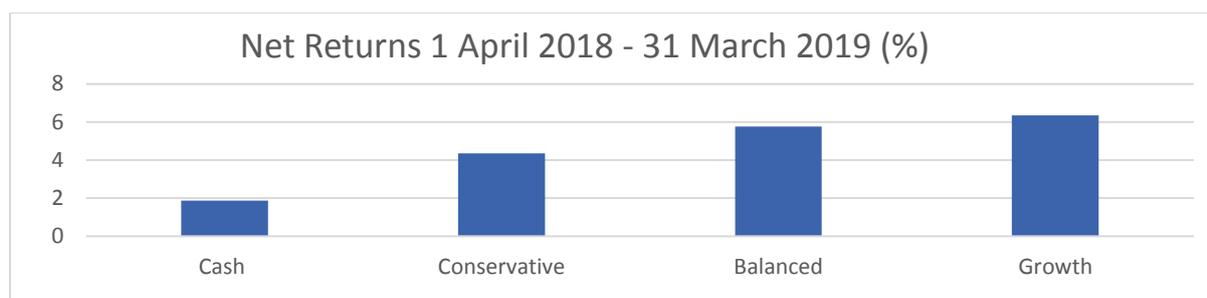


How has the Fund performed?

The tables below show how the Fund's investment options have performed since 1 April 2018.

Actual returns for each investment option (net of all fees and charges) for the year to 31 March 2019 are set out below.

	Cash	Conservative	Balanced	Growth
One year return:	+1.9%	+4.4%	+5.8%	+6.4%



The unit prices for each investment option are:

New Benefits Section	Cash	Conservative	Balanced	Growth
Unit Price at 31 March 2019	1.5405	1.044	1.1083	1.0527
Complying Section	Cash	Conservative	Balanced	Growth
Unit Price at 31 March 2019	1.5405	1.044	1.1083	1.0527

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.

We need your help – some requests to assist us look after your savings

Last call for Nominated Spouse Forms: All members who were married as at 30 June 2017 should consider completing and returning a Nominated Spouse Form. This is the only way that your spouse will be able to continue to benefit from the tax-free status of the Beneficiary Fund's investment returns following your death. The last day we will accept Nominated Spouse Forms is **30 June 2019**.

You will only be able to nominate your spouse (as at 30 June 2017) to take over your New Benefits Section account in the event of your death, if you send us a completed Nominated Spouse Form by 30 June 2019. If we have not received this Form, in the event of your death, the balance of your account in the Fund will be paid to your estate.

If you want to send us a Nominated Spouse Form and have not already done so, please contact the Fund's Administrator who will provide you with one to complete.

If you are not receiving a change to your stipend on 1 July 2019: Most active Ministers are to receive a stipend increase on 1 July, which will impact the contribution amounts paid to the Fund.

If you are **not** receiving a stipend increase on 1 July 2019, to ensure your Fund contributions don't change, we need you to get in touch with the Fund's Administrator and let them know before 15 June 2019.

If your stipend is increasing you do not need to do anything. Your contributions will be adjusted automatically.

Non-Contributing ministers: If you are currently receiving a stipend and not making contributions to the Fund, please contact the Fund administrator as contribution to the Beneficiary Fund is compulsory.

Member statements: Member statements for your account balance as at 31 March 2019 were emailed or posted in early May. If you have not received a member statement, please contact the fund's administrator so your contact details can be updated and your statement resent.

Member statements will now be provided each quarter, so to make sure you receive them, it's important we have your correct contact details.

Ministerial activity: It's also important to keep the Fund's Administrator updated with any other changes. So if you're changing your hours of work, coming out of retirement and receiving a stipend, changing parish, receiving a changed seniority allowance or retiring soon – please let them know.

If you need to get in touch with the Fund's Administrator on any of these (or other) matters, we've provided contact details in the next section of our newsletter.

Keeping you informed

We understand that you need to be kept informed about the Fund and your retirement savings. With that in mind, we'll be sending you the Fund's Annual Report in November. We'll also send you a personalised member account statement and newsletters (like this one) at least four times throughout the year.

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.

If at any time you need to make a withdrawal, change your investment options, receive information on your account balance or update your personal details please contact the Fund's Administrator at:

Melville Jessup Weaver
PO Box 11330
Wellington 6142

Phone: 0800 266 787
Email: presbyterian@mjlw.co.nz

For all other enquiries please contact the trustee at:

Attention: Kos van Lier
PO Box 9049
Wellington 6141

Phone: (04) 381 8296
Email: trustees@presbyterian.org.nz

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