Presbyterian Beneficiary Fund
Trustee Limited

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Chairman's Newsletter - July 2018

Recently a couple of members asked us some questions about their investments in the Fund. We thought that if these members wanted to know about these things, others might as well, so we've taken the opportunity to share our responses with everyone.

Do my savings pay interest like a bank deposit?

Your savings in the Fund are invested in the bundle of investment assets that the option you have chosen holds. The value of your savings in the Fund changes based on these assets increasing or decreasing in value.

This is different to how a bank deposit works. A bank deposit pays an agreed rate of interest based on the amount you invest whereas, the returns on your savings in the Fund depend on how much the individual assets in your chosen savings option change in value due to market fluctuations.

While that means you have more certainty about what your returns will be from a bank deposit, over medium and longer time horizons, interest paid on bank deposits will generally earn you less than you would receive by having your savings in the Fund.

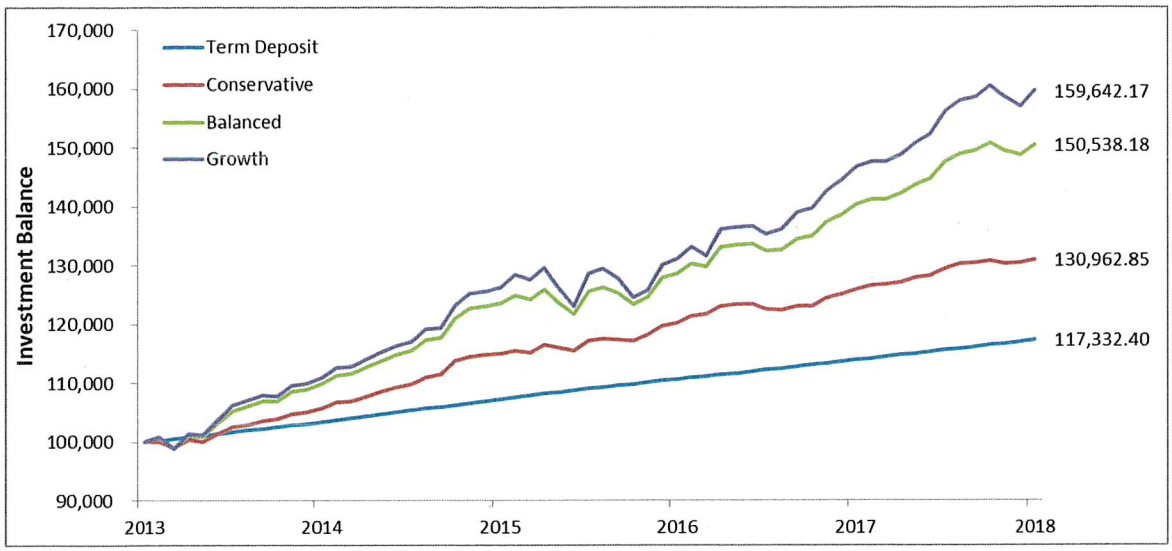
Bank paid interest will also have withholding tax deducted from the returns paid to you – further reducing what you earn. In contrast, no withholding tax is deducted from the returns your savings in the Fund generate, as the Fund has charitable status and is exempt from withholding tax.

How do returns from bank deposits compare to returns from the Fund?

While past performance cannot be relied on as a guide to how the Fund will perform in future, we thought the best way to answer this question was to illustrate how returns from the Fund's Conservative, Balanced and Growth savings options would have compared to an average bank deposit return over the past five years.

As you will see from our graph below, in every case an investment in the Fund would have been better than taking out a bank deposit. While we cannot guarantee this will always happen, we would generally expect the Fund's saving options to return more than bank deposits over medium and longer time horizons.

This document is intended for general guidance only and is not personalised to you. It does not take into account your particular financial situation or goals. It is not financial advice or a recommendation. Past performance does not guarantee future results. Presbyterian Beneficiary Fund Trustee Limited is the issuer of the Presbyterian Church of Aotearoa New Zealand Beneficiary Fund (referred to in this newsletter as the Fund). You should read the Product Disclosure Statement before making a decision and seek financial advice from an appropriately qualified financial adviser if you are unsure of what action to take. The Product Disclosure Statement for the Fund is available at www.presbyterian.org.nz/for-parishes/church-property-trustees/beneficiary-fund#PDS or by contacting the office at trustees@presbyterian.org.nz.



Sources: Mercer (NZ) Limited, Reserve Bank of New Zealand
Note: All data is to 30 April 2018. Comparison is done using a combination of returns of similar Mercer funds and actual fund returns adjusted for the fees described in the Product Disclosure Statement (PDS). The "Term Deposit" used is the "six month term deposit rate"

It is important to understand that if you withdraw some or all of your money to invest outside the savings options offered by the Fund, you will not be able to reinvest that money back into the Fund (and your withdrawn savings will no longer be able to benefit from tax-free investment earnings).

What can I do to make sure I'm doing the right thing with my savings?

It is important to regularly check you're in the right savings option for your needs.

Generally speaking, the Conservative option carries the least risk of losing money but has the lowest long-term returns. The Growth option at the other end of the spectrum has the highest returns over time, but is most at risk of losing money over short-term periods. The Balanced option falls between the two.

To assist you with this very important question we have attached a guide to assist you in checking your risk profile and investment options.

Who do I call if I have queries about my investment balance, want to change my investment option or update my details?

You should contact the Fund's administrator, Melville Jessup Weaver, on 0800 266 787 or email presbyterian@mjw.co.nz .

The Presbyterian Church of Aotearoa New Zealand Beneficiary Fund

What type of investor are you?

Make sure you answer all the questions below. Once you've completed the questionnaire, add up your score to see which investment option is right for you.

Question 1

When do you plan to withdraw most of your savings?

0 – 2 years	0
2 – 5 years	3
5 – 10 years	6
10 – 15 years	8
More than 15 years	10

Question 2

How much do you know about investments and financial markets?

No understanding	0
Very little	2
Some	4
Moderate	6
High	8
Very high, I am a sophisticated investor	10

Question 3

If you're seeking a higher return on your investment, describe how willing you are to accept investment returns that vary each year.

None at all – I want a steady return with no variation	0
Low – I'm ok with some small variation in the investment return	2
Moderate – I could accept some variation in the investment return	5
High – I don't mind variations as I'm a long term investor	8
Very high – I recognise that investment returns can vary significantly and that does not worry me	10

Question 4

How concerned would you be if your investment value fell by 20% over a 6 month period?

Very concerned	0
Somewhat concerned	3
A little concerned	8
Not concerned	12
Consider investing more	15

Question 5

How important to you is it that your investment grows faster than inflation?

Not important	0
Slightly important	2
Fairly important	4
Very important	5

Your total score: _____

Match your score with the investment options below

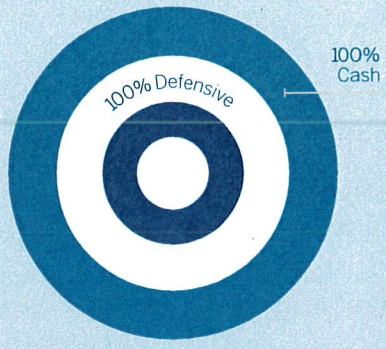
Quiz Score	
Growth	36 – 50
Balanced	21 – 35
Conservative	9 – 20
Cash	0 – 8

MERCER

Your Investment Options

Responsible investment, including enviromental, social, and governance considerations, is taken into account in the investment policies and procedures of the Fund.

Cash



Invests in cash. May be suitable for investors who do not want any nominal loss in the value of their investment and where the funds may be required in the shorter term.

Risk Indicator

Lower risk — **Higher** risk

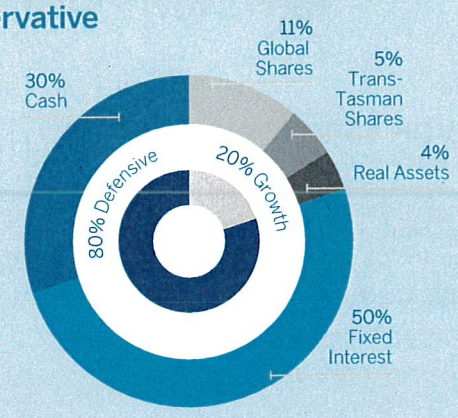
1 2 3 4 5 6 7

Potentially **lower** return — Potentially **higher** return

Returns*	1 Year (p.a)	3 Years (p.a)	5 Years (p.a)	7 Years (p.a)
	2.5%	3.2%	3.3%	3.3%

Estimated total annual fund charge per year:
- 0.58% for the first five years from 30th June 2017
- 0.88% thereafter, of the net asset value of the fund

Conservative



Invests mostly in cash and fixed interest, with only some investment in shares and real assets. May be suitable for investors who want to achieve slightly higher returns than those expected from investing solely in cash. Investors need to be comfortable with the possibility of some fluctuations in returns.

Risk Indicator

Lower risk — **Higher** risk

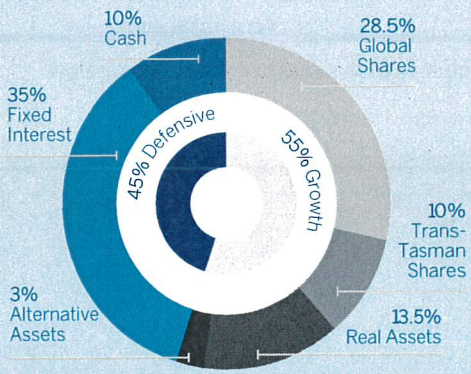
1 2 **3** 4 5 6 7

Potentially **lower** return — Potentially **higher** return

Returns*	1 Year (p.a)	3 Years (p.a)	5 Years (p.a)	7 Years (p.a)
	5.0%	6.7%	7.4%	6.8%

Estimated total annual fund charge per year:
- 0.87% for the first five years from 30th June 2017
- 1.17% thereafter, of the net asset value of the fund

Balanced



Invests in a wide range of assets. May be suitable for investors who want a diversified investment with exposure to shares and real assets, who are comfortable with a higher degree of volatility in returns than can be expected from the Conservative option and who can invest for the long term.

Risk Indicator

Lower risk — **Higher** risk

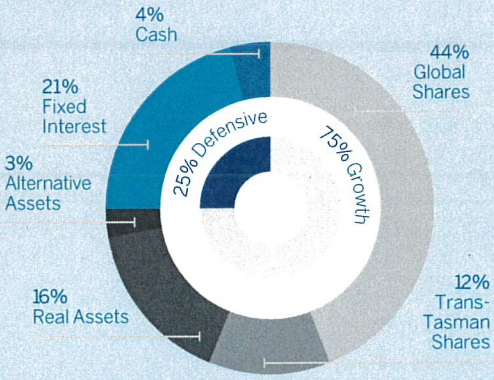
1 2 **3** 4 5 6 7

Potentially **lower** return — Potentially **higher** return

Returns*	1 Year (p.a)	3 Years (p.a)	5 Years (p.a)	7 Years (p.a)
	10.0%	9.2%	11.1%	9.1%

Estimated total annual fund charge per year:
- 1.08% for the first five years from 30th June 2017
- 1.38% thereafter, of the net asset value of the fund

Growth



Invests mainly in growth assets such as shares and real assets. May be suitable for investors wanting to invest mostly in growth assets who are comfortable accepting more volatile returns than those expected from the Balanced option with a view to achieving higher longer-term returns.

Risk Indicator

Lower risk — **Higher** risk

1 2 **3** 4 5 6 7

Potentially **lower** return — Potentially **higher** return

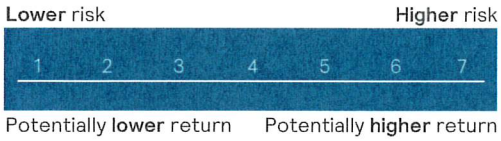
Returns*	1 Year (p.a)	3 Years (p.a)	5 Years (p.a)	7 Years (p.a)
	13.4%	10.5%	12.5%	10.0%

Estimated total annual fund charge per year:
- 1.19% for the first five years from 30th June 2017
- 1.49% thereafter, of the net asset value of the fund

* The returns used are the same as what has been used to calculate the risk indicator. This uses a combination of the funds actual after fees returns and market index returns. Past performance is no guarantee of future returns.

UNDERSTANDING THE RISK INDICATORS

Managed funds in New Zealand must have a standard risk indicator. The risk indicator is designed to help investors understand the uncertainties both for loss and growth that may affect their investment. You can compare funds using the risk indicator.



Page 2 of this document shows the risk indicators which have been calculated for the relevant funds.

The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund's assets goes up and down (volatility). A higher risk generally means higher potential returns over time, but more ups and downs along the way.

Note that even the lowest category does not mean a risk-free investment, and there are other risks (described under the heading 'Other specific risks') that are not captured by this rating.

The risk indicator is not a guarantee of a fund's future performance. A combination of actual fund returns and market index returns have been used to determine the risk indicators as the funds do not have five years of actual returns. The risk indicator may therefore provide a less reliable indicator of the potential future volatility of the option. For the five year period ending 31 March 2018, market index returns have been used up until 31 December 2017 for the Cash, Conservative and Growth options with actual returns used for the remaining period to 31 March 2018. For the Balanced option market index returns have been used up until 31 July 2017 with actual returns used for the remaining period to 31 March 2018. While risk indicators are relatively stable, they do shift from time to time. You will be able to see the most recent risk indicator for each option when we publish fund updates for the Fund. You can switch your investment option(s) at any time by contacting the Administration Manager. A limit of two switches per financial year of the Fund are permitted. No fee is charged for switches.

GENERAL INVESTMENT RISKS

Some of the things that may cause a fund's value to move up and down, which affect the risk indicator, are:

Market Risk

From time to time market conditions will materially and adversely affect the Fund's investments. Risks related to market conditions include: movements in the general price level of an investment, changes in demand and supply in the market or sectors in which an investment is made, and changes in political, economic and regulatory conditions.

Investment Return Risk

Investment assets offering the highest returns also carry with them the highest risk. Those investment options in the Fund that have more growth assets (such as shares) are likely to be more risky and those that have more income assets (such as fixed interest and cash) are likely to be less risky.

Currency Risk

Some of the Fund's investments are made in currencies other than New Zealand dollars. While currency fluctuations can affect returns positively there is also a risk they can affect returns negatively.

Liquidity Risk

This is the risk that the Fund may not be able to meet its monetary obligations in a timely manner. This would arise if we are unable to cash up investments in time to pay benefits to members or meet other financial obligations.

Other Specific Risks

There are circumstances which may arise and significantly increase the risk to returns for investors (and which are not already reflected in the risk indicators).

One of these risks relates to Mercer's particular approach to management of the Fund's investments.

Mercer is a "manager of managers" and there is therefore the risk that a manager it selects underperforms, resulting in lower returns than the relevant market or objective. To reduce this risk, it has a thorough manager research and monitoring process, and it also diversifies across a number of managers.

Also, the Fund is currently exempt from tax on its investment income because it is a registered charity. However, this could change in the future, due to, for example, changes in legislation. We believe that the loss of charitable status is unlikely; however, if this were to occur, it would negatively impact on the after tax investment returns the Fund could obtain.

Important Information

This information does not provide investment recommendations or financial advice personalised to you. It is a tool which may help you better understand your own attitudes and preferences about risk and return. However, it should not be seen as a substitute for professional advice and you should speak to an appropriately authorised financial adviser to obtain specific advice which takes into account your personal objectives, financial situation and needs before making any investment decision.

Mercer and its related companies will not be liable to you if your reliance on information obtained as a result of using the tool causes loss, damage or injury to you or any other person or entity.