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PROFESSIONAL FINANCIAL ADVICE

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Choosing Your KiwiSaver Investment – 3 Key Factors

There are three key factors to consider when selecting your KiwiSaver investment portfolio.

1. What is Your Timeframe?

KiwiSaver is a long-term, locked-in savings scheme that we cannot access until at least 65 years of age. Despite this timeframe, many investors use short-term performance as the basis for deciding what investment they should hold. Your KiwiSaver investment could be held for 20, 30 or even 40 years, so the short term performance over the last 3 or even 12 months shouldn't be a factor in your long term strategy.

2. Are You Buying or Selling?

Unlike a bank deposit, the price of the units in your KiwiSaver portfolio changes over time. It is dependent on what is happening with share markets, exchange rates, interest rates and fixed interest markets locally and worldwide. While we may naturally want to take some action when returns haven't been great, this is when prices are cheap – so we should in fact be buying more! One of Warren Buffett's famous sayings is ***"whether we're talking about socks or stocks, I like buying quality merchandise when it is marked down."*** As long as markets continue to grow over the long-term, we should be making the most of cheaper prices and volatility in the short-term and dollar-cost average into our KiwiSaver investments.

3. How Much Risk?

This is a personal decision based on your specific needs, timeframes and feelings; and there is no right answer. We can work with you to determine the best investment for you based on how much risk you;

a) are **willing** to take on – your investments should meet the 'sleep test' where you are comfortable not worrying about them and can sleep easy.

b) have the **capacity** to take on – based on your age/timeframe, income and other savings, you may be in a position to take more (or less) risk in your KiwiSaver investment.

c) actually **need** to take on – you may not need to take high risk in order to achieve your target. This is difficult to determine if you don't have a target or plan.

Over 90% of your investment return and volatility is determined by your investment mix (conservative, balanced, growth etc). Looking at historical returns actually tells you very little about how good an investment is or will be in the future. Historical returns by themselves don't tell you what risks an investment manager is taking to generate those returns, and therefore whether they are sustainable or appropriate for you.

Therefore, choosing the right investment mix is extremely important and will have a major impact on your eventual retirement savings. This is what we can help you get right and then importantly stick to it, rather than reacting based on our natural emotions (i.e. panicking and selling when prices are cheap, but being happy to continue investing when prices are more expensive).

What about the Grosvenor KiwiSaver Scheme?

As our preferred KiwiSaver scheme, we continually monitor Grosvenor's performance. Like our clients, personally we are also members of the Grosvenor KiwiSaver Scheme.

- Grosvenor's approach is to produce a 'no surprises' outcome for investors. Four years ago, the returns on their funds were at the top of all rankings. They then adopted a conservative approach to protect investor funds, based on genuine fears of a double-dip recession and significant potential risks. These risks did not eventuate, resulting in their relative performance dropping. Despite this, performance has been strong over the last three years as per the table below. This also shows the benefit for investors taking on additional risk (i.e Growth fund returns better than Balanced, and Balanced better than Conservative).

Portfolio	3 Years (Returns p.a.)
Conservative Fund	4.5%
Balanced Fund	6.1%
High Growth Fund	8.3%
Geared Growth Fund	9.2%

*NB: returns are **net** after all costs and 17.50% tax for periods ending 31 March 2016*

- In the last 18 months, a more disciplined strategy has been adopted which has been successful. Grosvenor's returns are now consistently in the 2nd quartile every month. This consistency is key to Grosvenor's long-term, no-surprises approach to investing.

- Grosvenor only works via qualified financial advisers, so clients have access to advice. This is particularly important when markets are volatile as having someone to consult and staying the course is key.

- We know they are efficient, have excellent systems and procedures, are NZ owned and operated and they are very transparent about where client funds are invested. Contributing members also have $10,000 free accidental death benefit, which is only offered by one other provider, and the Government has also been happy to appoint them as a default provider. Importantly, we believe that their strategy is one that will hold them, and clients, in good stead over the long run.

Who to Contact?

While you can speak to anyone in our team in relation to your KiwiSaver, our specialist KiwiSaver contacts are:

Michael Shears
Direct Dial: (03) 964 4222
Email: michael_shears@rede.co.nz

For investment selection and planning advice.

Michael Borthwick
Direct Dial: (03) 964 4207
Email: michael_borthwick@rede.co.nz

For administration matters including online access.