

Summer Australian Equities

Summer
KiwiSaver Scheme
My Plan

Summer Australian Equities fund performance summary as at 31 December 2017

Fund at a glance

Unit price (as at 31 December 2017): \$1.2227

Date the fund started: 19 September 2016

Annual fund charges: 0.90% pa. of the value of the investment plus GST

Account fee: \$36 per member per year

Manager: Forsyth Barr Investment Management Limited

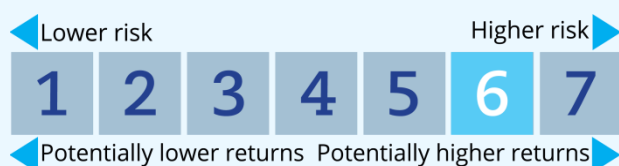
For more information about the fund, please see the fund's product disclosure statement and most recent fund update at www.summer.co.nz

Fund objective and strategy

The fund invests in selected Australian shares. We aim to achieve positive long-term returns. These kinds of investments will typically have very high levels of movement up and down in value. They can be suitable for someone who wants to invest in shares and is comfortable with that level of movement, with a view to achieving higher longer-term returns.

Risk indicator

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



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 that are not captured by this rating. This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the five years to 31 December 2017. While risk indicators are usually relatively stable, they do shift from time to time.

Fund returns

Annualised total since inception	1 Month	3 Months	1 Year
16.38%	1.44%	8.53%	18.24%

Fund returns are calculated net of fund charges, trading expenses and accrued tax for a New Zealand resident individual paying tax at the highest Prescribed Investor Rate (28%).

Top 10 Investments

	Asset Name	% of fund net assets
1	Commonwealth Bank of Australia Limited	8.51%
2	BHP Billiton Limited	7.99%
3	Westpac Banking Corporation	7.88%
4	Rio Tinto Limited	4.00%
5	ANZ Cash Deposit	3.95%
6	National Australia Bank Limited	3.93%
7	Woolworths Limited	3.90%
8	Australia and New Zealand Banking Group Limited	3.73%
9	AGL Energy Limited	3.57%
10	Macquarie Group Limited	3.47%
Total value of top 10 assets		50.93%

Manager's comments

Fund Performance

Summer Australian Equities delivered returns of 1.44% for the month, 8.53% for the three months to December and 18.24% for the year.

Market Commentary

The December quarter was a positive one for the Australian equity market. The S&P/ ASX200 (Gross Index) delivered a return of 8.99% in New Zealand dollar terms, lifting the 2017 calendar return for the market to 18.32%. 2017 was clearly a much improved year for the Australian equity market which finished at a five-year high in local currency terms. Although we believe that the Australian economy continues to display mixed messages, a number of large equity market sectors recovered strongly. Most importantly, the banking and resource sectors rebounded.

2017 was also notable for the fact that Australian economic growth is now less reliant on the Chinese economy. China remains a very important market for Australian resources but domestic infrastructure investment and the services sector have become relatively more important contributors to growth. At the same time, the Australian dollar has also declined. This has benefitted listed companies with offshore earnings. Given this, it is understandable that the Energy and Materials sectors were amongst the best performers in 2017.

Portfolio Positioning

The fund strategy in the past year has been to lift exposure to resource and energy companies – businesses with good leverage to global activity levels. The international economy has not seen a period of co-ordinated growth since prior to the Global Financial Crisis and this should give investors a great deal of confidence. For example, the price of copper, one of the most widely used industrial metals, finished 2017 at a four-year high. At the same time, oil prices remain well supported with demand growth expected to outstrip supply growth in 2018. Exposure to companies such as BHP Billiton, RIO Tinto, Oil Search and Woodside Petroleum remain important components of the portfolio on account of their leverage to global growth. Finally, the fund has also added industrial exposures with offshore earnings. Although we believe that the Australian economy continues to perform reasonably well, growth in offshore economies has generally been higher, a dynamic that a number of locally listed stocks are exposed to.

Outlook

Looking ahead, we believe that investors should be optimistic that the present momentum will continue into 2018. That said, we expect that interest rates in the United States will rise this year and liquidity support will fall as central banks take a long awaited chance to normalise monetary policy. Doing so will raise the chance of a miscalculation. The outlook for 2018 looks good but a correction late in the year seems a plausible outcome. For now the current strategy will remain in place but towards the middle of this year, a more defensive approach seems likely to be implemented.

For more information on the Summer Australian Equities fund or the other Summer KiwiSaver scheme funds, or to read the latest Quarterly Fund Update visit www.summer.co.nz/performance.

The Summer KiwiSaver Scheme is managed by Forsyth Barr Investment Management Ltd. You can obtain the Scheme's product disclosure statement and further information about the Scheme at www.summer.co.nz from one of our offices, or by calling us on 0800 11 55 66. Forsyth Barr Investment Management Ltd is a licenced manager of registered schemes and part of the Forsyth Barr group of companies. Disclosure statements are available from Martin Hawes and your Forsyth Barr Authorised Financial Adviser, on request and free of charge.

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