

Summer Global Equities

Summer
KiwiSaver Scheme
My Plan

Summer Global Equities fund performance summary as at 31 December 2017

Fund at a glance

Unit price (as at 31 December 2017): \$1.2359

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

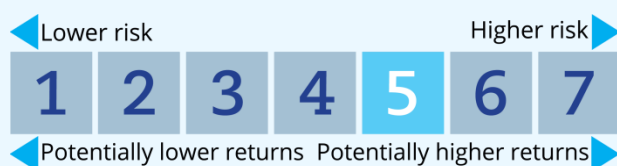
For more information about the fund, please see the fund's product disclosure statement and most recent fund update at www.summer.co.nz

Fund objective and strategy

The fund invests in selected international shares. We aim to achieve positive long-term returns. These kinds of investments will typically have 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 Global 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
17.22%	-2.10%	4.98%	20.12%

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	ANZ Cash Deposit	6.67%
2	NIKE, Inc.	4.47%
3	Facebook Inc. - A	4.02%
4	Starbucks Corporation	3.91%
5	Alphabet Inc Class A	3.80%
6	Shire plc	3.34%
7	Ping An Insurance (Group) Company of China, Limited	3.23%
8	Celgene Corporation	3.05%
9	Medtronic Inc.	2.92%
10	The Walt Disney Company	2.89%
Total value of top 10 assets		38.30%

Manager's comments

Fund performance

Summer Global Equities reported a loss of 2.10% for the month, but delivered returns of 4.98% for the three months to December and 20.12% for the year.

Market Commentary

Following the disappointing returns reported in 2016, we outlined in our January 2017 commentary that our strategy was to “remain biased towards US listed global companies and towards key sectors that offer growth: Consumer, Healthcare, Technology/Media and Chinese equities”. Pleasingly that strategy delivered well for the fund, mainly due to our exposures to the Technology/Media sector and Chinese equities. The fund held exposures to 49 stocks over 2017, of which there are presently 37 retained by the fund.

Over 2017 there were four Chinese exposures (Ping An, Tencent, Alibaba and Baidu) that were amongst the Top 15 contributors to the fund's performance in 2017.

Portfolio Positioning

Heading into 2018 the fund plans to maintain a strong position towards Chinese exposures and the Technology/Media sectors. However, given the strong returns achieved by these two sectors in 2017, our plan is to rotate some of these gains through making the following changes to the portfolio.

Technology: we believe that it is unlikely that some of the global leaders (Apple, Amazon, Alphabet and Facebook) will be able to repeat the superb returns achieved in 2017. Our strategy is to down-weight and broaden our technology company holdings to include emerging technology leaders and companies that offer new areas of innovation.

Healthcare: 2017 was another challenging year for the healthcare sector. Following two years of underperformance, we expect a positive re-rating from the sector and therefore we plan to lift our weighting in the sector (currently around 20%).

Consumer: in 2017 European global consumer stock exposures performed well relative to their US peers. We believe the strength in the Euro will benefit the US listed global consumer stock exposures (Nike and Starbucks), and the sector generally should benefit from the anticipated synchronised pick-up in global growth and consumer spending.

Outlook

The outlook for 2018 is equally as challenging as this time last year, but for different reasons. Last year Global equities had favourable investment attributes but there was anxiety towards the global economy due to slowing growth in China, the unknown impact from Brexit and the economic uncertainty that came with the election of Donald Trump as the US President. Over the past 12 months investors have been handsomely rewarded for taking on this risk.

The low interest rate environment is positive for global equities, particularly for companies that are able to grow earnings by more than 7%p.a. However, the “elephant in the room” in 2018 is “Inflation” and in this regard we want to maintain exposures toward companies and sectors that can quickly manage the risk of rising inflation.

We are expecting more of the same creative disruption that technology was instrumental in causing during 2017. In particular, we expect developments in artificial intelligence, robotics, genetic engineering and social media to be key areas that will help to drive earnings growth in 2018.

For more information on the Summer Global 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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