

# Summer New Zealand Equities

Summer  
KiwiSaver Scheme  
My Plan

Summer New Zealand Equities fund performance summary as at 31 December 2017

## Fund at a glance

**Unit price (as at 31 December 2017):** \$1.1632

**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](http://www.summer.co.nz)

## Fund objective and strategy

The fund invests in selected New Zealand shares. We aim to achieve positive long-term returns. These kinds of investments will typically have moderate to 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 improved 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 New Zealand 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
12.82%	2.64%	5.82%	21.01%

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	Fisher & Paykel Healthcare Corporation Limited	8.07%
2	Mainfreight Limited	7.42%
3	Meridian Energy Limited	7.42%
4	Ebos Group Limited	5.76%
5	The a2 Milk Company Limited	5.72%
6	Z Energy Limited	5.70%
7	ANZ Cash Deposit	5.42%
8	Freightways Limited	5.37%
9	Comvita Limited	4.18%
10	Fletcher Building Limited	4.15%
Total value of top 10 assets		59.21%

## Manager's comments

### Fund Performance

Summer New Zealand Equities delivered returns of 2.64% for the month, 5.82% for the three months to December and 21.01% for the year.

### Market Commentary

The New Zealand equity market finished 2017 on a high, with the S&P/ NZX 50 Gross Index rising 2.58% in the month of December and delivering a return of 5.90% in the December quarter. In our view, domestic equities remain well supported amid ongoing offshore interest. Earnings fundamentals remain robust and it is pleasing to note that recent company results have been slightly ahead of our forecasts. On the downside, it is disappointing to report that Xero, a star performer for the fund over a long period, has decided to shift its listing to the Australian exchange. The fund retains its exposure to Xero but the position will have to be divested at some time during the first quarter of 2018.

### Portfolio Positioning

Investment returns in recent quarters have been dominated by our exposure to growth stocks such as a2 Milk and Fisher & Paykel Healthcare. The fund took the decision to add a number of new growth exposures to the portfolio during the year, a decision that has generated excellent returns. Although we retain exposures to a number of high yielding equities in the fund, we expect that growth will outperform yield in the next quarter and beyond. That said, investors should note that we calculated a current market PE of 20.2x which is 10% above the five-year average. Although we don't view the prevailing premium as excessive, ongoing earnings growth is required to justify current stock prices, in our view.

### Outlook

Looking ahead to 2018, we believe that the New Zealand equity market will remain well supported. The domestic economy is in robust health and New Zealand's terms of trade are at a record level. Although consumer and business confidence levels have slipped since the election, we do not envisage a major slowdown. However, the majority of New Zealand recessions have had an offshore catalyst. As a small, open economy, New Zealand will always remain vulnerable to a global slowdown and geopolitical events. Furthermore, the local residential property market remains extremely over-valued, in our view. A sharp downward correction would be highly disruptive given the wealth impact of property on the broader New Zealand economy.

Fortunately, we believe that the international economy remains strong. For the first time since the Global Financial Crisis, all major economies are growing simultaneously. Hence the outlook for 2018 is not expected to deteriorate greatly. That said, we expect that interest rates in the United States will rise further this year. At the same time, liquidity support will fall as central banks take a long awaited chance to normalise monetary policy. Doing so will raise the chance of miscalculation. The outlook for 2018 looks good but a correction late in the year seems a plausible outcome. In recognition of this possibility, the fund continues to include a mix of defensive exposures as well as growth exposures.

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**For more information on the Summer New Zealand Equities fund or the other Summer KiwiSaver scheme funds, or to read the latest Quarterly Fund Update visit [www.summer.co.nz/performance](http://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](http://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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