

Summer Investment Selection

Summer
KiwiSaver Scheme
My Plan

Summer Investment Selection fund performance update as at 31 December 2017

Fund at a glance

Unit price (as at 31 December 2017): \$1.1259

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

We choose the exposure to the following asset classes for you: New Zealand cash, New Zealand fixed interest, international fixed interest, New Zealand equities, Australian equities, listed property, international equities. We aim to achieve positive long-term returns. These kinds of investments will typically have low to moderate levels of movement up and down in value. They can be suitable for someone who wants to invest across different asset classes, 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 Investment Selection 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
9.27%	0.06%	4.22%	13.03%

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%).

Tactical Target Investment Mix

	Allocated %
New Zealand cash	10%
New Zealand fixed interest	25%
International fixed interest	0%
New Zealand equities	12.5%
Australian equities	12.5%
Listed property	8%
International equities	32%
Total	100%

Top 10 Investments

	Asset Name	% of fund net assets
1	ANZ Cash Deposit	7.73%
2	New Zealand Local Government Funding Agency Ltd 15/03/2019 5.00%	2.72%
3	Westpac Cash Deposit	2.43%
4	Bank of New Zealand Subordinated Note 17/12/2025 5.314%	1.55%
5	NIKE, Inc.	1.44%
6	Precinct Properties New Zealand Limited	1.41%
7	Goodman Property Trust	1.39%
8	Kiwi Property Group Limited	1.34%
9	New Zealand Local Government Funding Agency Ltd 15/04/2023 5.50%	1.33%
10	Facebook Inc. - A	1.30%
Total value of top 10 assets		22.64%

Manager's comments

Fund Performance

The Summer Investment Selection delivered returns of 0.06% for the month, 4.22% for the three months to December and 13.03% for the year.

Market Commentary

The last quarter of 2017 was a 'goldilocks' period for financial markets. Interest rates fell, equity markets rose and market risks such as geopolitical concerns abated. Economic data continued to print stronger than we expected. It seems apparent to us that global investors have underestimated the strength and breadth of the current global economic recovery, perhaps extrapolating the concerns expressed repeatedly by global central banks over the last few years.

We believe that many of the building blocks for strong coordinated growth have emerged – stronger banking balance sheets and an appetite to lend, deleveraged households with the next generation of house buyers emerging, low and stable energy prices providing stability to real incomes and inflation and rising confidence by small and medium businesses around the world to take on risk and expand their activities. It is our view that stronger economic activity is boosting forward earnings for many companies around the world, underpinning rising equity valuations. While the New Zealand dollar fell in the early part of the quarter mainly due to political uncertainty following the change in government, the local currency appreciated during the last month of the year to end the quarter only slightly weaker compared to three months earlier.

Portfolio Positioning

For New Zealand investors, the slightly weaker New Zealand dollar impacted positively on returns from offshore markets. Global and Australian equity markets performed very strongly during the quarter, taking into account the positive surprises in economic data. With currency gains included, the overall return to New Zealand investors from unhedged offshore exposures was a major contributor to returns last month. The major contributor to investment performance over the quarter came from Australian equities followed by listed property and New Zealand equities.

Outlook

We believe that the global outlook remains positive with the best level of synchronised growth around the world since before the Global Financial Crisis. Fundamentals remain strong all round the world including labour market strength, consumer sentiment, business optimism, CEO survey's, manufacturing and non-manufacturing PMI's and of course the impact of tax reform in the US. Geopolitical risks have diminished since late last year, in our view, with South and North Korea seemingly undertaking meaningful dialogue and the earnings outlook for companies around the world continues to signal further growth in profits.

While remaining positive about the medium-term outlook for the markets, the stronger the markets perform, the higher the risks grow. We would get concerned if the employment or labour markets turned weaker, signalling earnings recessions for some companies or sectors. We are also watching interest rates closely, and any sign that inflation is making a comeback. And thirdly, commodity prices are always a good indicator of underlying fundamentals. A sharp downturn in commodity prices (not just one or two commodities) would indicate to us that the current global cycle had reversed and demand was softening. This would have an impact on earnings and valuations and be a reason to adopt a more conservative asset allocation with investment portfolio.

For more information on the Summer Investment Selection 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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