

**Lifestages KiwiSaver Scheme: Investment Commentary**  
As at 30 September 2020

Funds Administration New Zealand Ltd ('FANZ')  
is the Manager of the Lifestages range of funds.

**Welcome to your Lifestages KiwiSaver Scheme Report for the six-month period ending 30<sup>th</sup> September 2020.**

What a year it has been! From an investment perspective it has been a roller coaster year. The "Overton window", the spectrum of possible government policies that the public is OK with, was jolted open in a matter of weeks. The use and acceptance of wage subsidies in response to Covid-19 was an example of this. Unthought at the start of 2020. Are we all socialists at heart? It is clear that moving into the last part of 2020 and 2021, we have two clear policy responses to choose from; austerity or more debt.

Much of the narrative over the last few months has been that we are dealing with a crisis for which there is no precedent. This is not true. There are lessons from previous pandemics that provide insights about how Covid-19 will impact on the future. The writer recently viewed a YouTube presentation (delivered in 2012) by James Belich (one of New Zealand's leading historians) on the Black Death, a pandemic in the 1300's. Professor Belich made the following observations;

1. GDP per capita doubled after the pandemic (mainly because 50% of the population died)!
2. A pandemic is different to an earthquake, fire or drought because your infrastructure is still intact (you did not need to eat your breeding stock to survive for example). This allowed your economy to recover quickly once the pandemic receded.
3. A pandemic may result in a burst of creativity because you are forced to do things differently. A cargo ship that could tack into the wind was invented because there were not enough people left to row a boat into the wind after the pandemic for example.

History may not repeat but we believe that it certainly may rhyme! We believe that we will come out of the pandemic and that we will find new ways of working and interacting with each other. This is the key message from 2020. We can be thankful for the worldwide government response over 2020. The general themes of fiscally

supporting investment and property markets and employment generally have produced an environment where our operating infrastructure is largely intact (apart from heavily damaged sectors such as travel, hospitality, and education). Monetary policy support in the form of lower interest rates has also supported asset prices and the property market.

A large number of you spoke to one of our experienced advisers via e-mail, phone or Zoom over the course of 2020. We welcome your feedback or questions and you can set this process in motion by e-mailing us on [contact@lifestages.co.nz](mailto:contact@lifestages.co.nz). This service is free to all Lifestages KiwiSaver Scheme members and we urge you to make contact with us should you have any questions and/or concerns. We recognise that 2020 has been an emotional and concerning year. A review of your Lifestages KiwiSaver Scheme investment performance over the last 6 and 12 months certainly reveals the impact of Covid-19. The initial Covid-19 outbreak and the sharp fall in markets in March 2020, followed by the recovery of the last six months, reveals a positive 12-month performance for all Lifestages KiwiSaver Scheme funds and age auto options. Perhaps this is the most important message. Work out your financial goals and objectives and the strategy that will help you achieve these and then stick to your approach. Investors who switched in March from growth assets to income assets have missed out on the strong recovery. In a year's time, we may marvel at what we've learnt about ourselves. We may wonder at our collective delusion, or at our collective wisdom. We may be suffering, we may be recuperating. We may be embracing evolution or trying just to stand still. We may see this as a bad dream. The good news is that the dawn always comes!

So, if you have any immediate concerns, please contact your adviser or call 0800 727 2265 to schedule an appointment. They are here to support you and offer all the help they can.

**Fund Information as at 30 September 2020.**

| Fund                                        | Unit Price | 6 Months | 1 Year | 3 Years p.a |
|---------------------------------------------|------------|----------|--------|-------------|
| <b>Lifestages Income Fund</b>               | 1.1654     | 2.69%    | 2.60%  | 3.12%       |
| <b>Lifestages High Growth Fund</b>          | 1.4381     | 19.34%   | 0.72%  | 7.20%       |
| <b>Lifestages Capital Stable Portfolio*</b> | 3.1603     | 5.68%    | 2.03%  | 3.44%       |
| <b>Lifestages Auto</b>                      |            |          |        |             |
| <b>Option 0-34</b>                          |            | 19.34%   | 0.72%  | 7.20%       |
| <b>Option 35-44</b>                         |            | 15.87%   | 1.36%  | 6.46%       |
| <b>Option 45-54</b>                         |            | 12.48%   | 1.86%  | 5.70%       |
| <b>Option 55-64</b>                         |            | 9.15%    | 2.23%  | 4.87%       |
| <b>Option 65+</b>                           |            | 6.69%    | 2.43%  | 4.29%       |

The performance above is after deductions for charges but before tax and member fees.

\*The Lifestages Capital Stable Portfolio is closed to new investors.

## The value of discipline

The market volatility sparked by the pandemic saw many investors look to reduce ongoing risks and guard against any further losses. However, investors that took this path will be feeling the impact of Covid-19 for much longer than the investors who remained committed to their financial plan and showed discipline.

Those that switched and reduced their risk profile missed out on the remarkable turn around in the markets and will be making up the gap for potentially years to come. Effectively they have realised all the downside risk of being a growth investor but are not going to benefit from the recovery at all.

This phenomenon underscores the outsized role that correct risk selection has on portfolio returns and the likelihood of investors meeting their goals. It also shows the value in having an authorised financial adviser who is able to guide investors through unsettling market events.

## Recent changes to the Lifestages KiwiSaver Scheme

The Scheme has had a few recent changes, which required the Product Disclosure Statement (PDS) and Statement of Investment Policy and Objectives (SIPO) to be updated effective 1 September 2020. These changes included;

- > Reflecting recent legal changes in relation to adding life-shortening congenital illness;
- > Updating the risk indicator for Lifestages High Growth Fund and Lifestages 0-34 Auto option from 4 to 5, and 55-64 Auto option from 3 to 4;
- > Slightly amending the Lifestages High Growth Fund and Lifestages Auto asset allocations (removing International Property and increasing International equities); and
- > Updating the responsible investment policy.

More information on the Lifestages KiwiSaver Scheme is available on [www.lifestages.co.nz](http://www.lifestages.co.nz). Go to the section KiwiSaver/Lifestages KiwiSaver Scheme for these and other regular features:

- > Asset allocation of your fund / age auto profile;
- > Current unit price and unit price history;
- > The latest fund updates; and
- > The latest PDS, OMI and SIPO under Documents.

I'd like to thank you again and remind you, please don't hesitate to contact us if you have any questions.

Kind Regards,



**Graham Duston, Executive Director**  
FANZ  
Subsidiary of SBS Bank

Funds Administration New Zealand Limited (FANZ), a wholly owned subsidiary of SBS Bank, is the issuer and manager of the Lifestages KiwiSaver Scheme (the Scheme). For more information see the Lifestages KiwiSaver Scheme Product Disclosure Statement available on our website [www.lifestages.co.nz](http://www.lifestages.co.nz) or on the register of offers of financial products at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).



**Ask Albert™**

Hi all, Albert the Lifestages Chatbot here. I was launched over 6 months ago and since then have been kept very busy providing you with information and answering your questions regarding your Lifestages KiwiSaver Scheme – I'm still learning, but get smarter with every question answered!

I'm available to assist you 24/7, 365 days of the year, and can always be found at the bottom right hand side of the Lifestages Web Page – just look for my smile! If I am not able to answer your question immediately, I will direct you to one of my human teammates to make contact with you during business hours.

Thank you to all of those who have directed your questions to me since my launch. Please continue to ask me questions as providing answers to your questions allows me to increase my knowledge base.

Regards  
Albert

**Disclaimer:** The information is of a general nature only and has not been prepared with regard to the individual needs of any investor. Details are current as at the date of preparation and are subject to change. Investments in the Scheme do not represent deposits or other liabilities of FANZ or SBS Bank, and are subject to investment risk. The investment risk includes possible delays in repayment and loss of income or contributions invested. The principal and returns of the Scheme are not guaranteed or secured in any way by FANZ, SBS Bank or any other person.