DAIRY INDUSTRY SUPERANNUATION SCHEME NEWSLETTER FEBRUARY 2018

dairy industry
superannuation scheme

WELCOME TO THE FEBRUARY 2018 NEWSLETTER FOR THE DAIRY INDUSTRY SUPERANNUATION SCHEME.

This issue provides information on how your investment options are performing and current influences on the world's investment markets, along with other news about the Scheme and your membership.

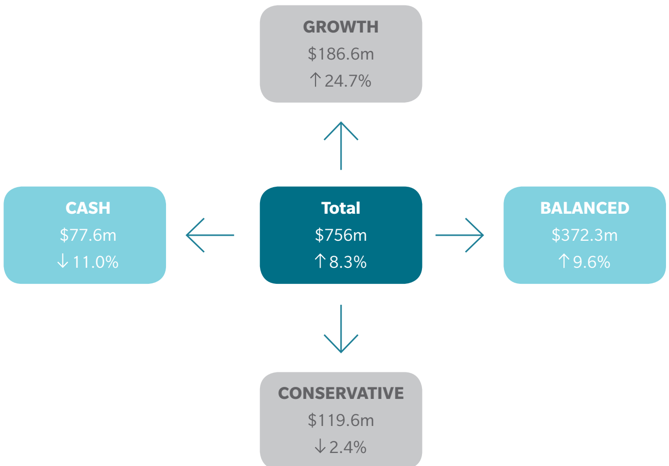
INVESTMENT NEWS

Most share markets finished 2017 on a strong note, which continued through into the new year, boosting returns for members invested in the Balanced and Growth funds. However, in early February investors received a nasty reminder that the only way isn't always up, with a sharp and sudden fall in global share prices.

Returns to investors in the Cash and Conservative funds were more modest as the US Federal Reserve again increased interest rates in December, to 1.5%, well ahead of most other major central bank rates. There are some concerns over the growing divide in monetary policy between the US and its trading partners because even small changes in US financial conditions have a significant bearing on currencies, fixed interest securities (bonds), shares and other financial assets, as well as economies, around the world.

In New Zealand, interest rates on bonds fell, reflecting a slight drop in business confidence following the general election. At both its November 2017 and February 2018 reviews the Reserve Bank left the Official Cash Rate at 1.75%, where it has been since the end of 2016.

The diagram below shows the assets in each investment fund as at 31 December 2017 and the percentage increase or decrease since 1 April 2017. As you can see from the diagram, assets in the Growth fund increased by almost 25%, while assets in the Cash fund decreased by 11.0%.



Returns for each investment option after tax, fees and expenses	Cash	Cash/ Conservative	Conservative	Conservative/ Balanced	Balanced	Balanced/ Growth	Growth
Scheme year to 31 March 2017	1.1%	2.9%	4.7%	6.7%	8.8%	10.0%	11.3%
Periods to 31 January 2018							
Scheme year to date (10 months)	1.1%	2.9%	4.7%	6.7%	8.8%	10.0%	11.3%
1 year	1.4%	3.9%	6.4%	9.2%	12.1%	13.8%	15.6%
5 years (average pa)	1.9%	3.3%	4.8%	6.4%	8.1%	9.0%	9.9%
10 years (average pa)	2.2%	3.1%	4.1%	4.7%	5.2%	5.5%	5.7%
14 years* (average pa)	3.0%	3.9%	4.8%	5.5%	6.2%	6.5%	6.9%

*Since 31 March 2003, when investment choice was introduced.
Fund returns are determined monthly. Reported returns take into account the effect of compound interest and are rounded to one decimal point.

For more information about factors affecting the Scheme's investment returns go to www.dairysuper.superfacts.co.nz.

REVIEWING YOUR INVESTMENT OPTIONS

Reviewing your investment options on a regular basis is very important.

Although for most of us saving for retirement is a long-term undertaking, it shouldn't be a set-and-forget process but that doesn't mean that you should be chopping and changing between funds.

The appropriate option for you can be influenced more by your personal circumstances than how investment markets themselves are performing. Your age, changes in your family situation and other investments you have can mean you may need to consider changing your investment option.

Remember that volatile investment markets aren't a good reason to suddenly change direction. Markets go up and they go down, and quickly, and it is better to ride out the volatility – even if a falling share market makes you nervous.

How frequently should you be having a look at where your savings are invested? It's up to you, although yearly is a popular choice because you can tie it in with the arrival of the Scheme annual report, your birthday or some other important anniversary.

And it doesn't need to be a full-blown review. The main thing is to be aware that your Scheme membership continues to meet your needs when retirement finally beckons.

ASSET CLASSES' CHANGING FORTUNES

While shares have clearly provided the best investment market returns over the past year or more, it certainly hasn't always been the case. Surprisingly, of the 15 asset classes the Scheme invests in, there have been nine different top annual performers across the past 10 years.

It's also remarkable how the poorest performer one year can be the best just 12 months later. Take commodities, for example, which in 2015 recorded a loss of almost 23%, but in 2016 hit top spot with a gain of more than 13%.

During 2008, in the midst of the global financial crisis, every asset class finished in negative territory. Contrast this with 2016 and 2017 when all of them provided a positive return.*

*Source: Mercer's Periodic Table of Investment Returns

MEMBERS' SURVEY

A few weeks ago we sent you an email or a postcard to let you know that this year's Scheme survey is now available for completion. After a strong start, responses have been a little slow, so to give as many members as possible an opportunity to complete the survey, we have extended the closing date to 7 March 2018.

We do encourage you to complete the survey; it will only take two or three minutes to complete. Your views are important to us and will help ensure that the Scheme continues to meet your needs as a convenient and flexible way of saving for retirement.

Remember that every member who provides their email address and mobile phone number at the end of the survey will go into the draw for a $200 Prezzy Card.

A link to the survey is available at:
www.surveymonkey.com/r/DISSsurvey18

BUYING A FIRST HOME?

If you're in the market for a first home, your Scheme membership could help you in two ways.

You may be able to make a withdrawal from your Scheme accounts and also qualify for a HomeStart grant from Housing New Zealand.

Scheme withdrawals

Last year, the Scheme's home purchase withdrawal benefit was extended to include withdrawals from members' standard (unlocked) accounts as well as Locked-In Accounts (if applicable).

If you are considering making a withdrawal, remember that your final benefit from the Scheme will be reduced not only by the amount of your withdrawal but also by the interest that could have been earned on the amount withdrawn.

For more information about making a home purchase withdrawal including the eligibility criteria, refer to the Frequently Asked Questions About Home Purchase Withdrawals fact sheet available from the Documents & forms page of www.dairysuper.superfacts.co.nz.

KiwiSaver HomeStart grant

A recent newspaper article about a woman who initially missed out on a KiwiSaver HomeStart grant highlights the need to have contributed regularly to a KiwiSaver scheme or to an 'exempt employer' scheme (such as the Scheme) for at least three years in total. Periods when you are temporarily away from work (such as on parental leave) do not count unless you contribute the applicable minimum amount during those periods.

To qualify for the grant, a person is expected to have contributed for at least three years at a rate at or above the minimum allowable rate, which is currently (as applicable):

- 3% of gross income; or
- 3% of the gross adult minimum wage (which currently equates to around $20 a week) for non-earners; or
- 3% of the annual benefit for beneficiaries.

Just contributing the minimum $1,042.86 needed to be eligible for the maximum annual government contribution is not automatically considered enough to qualify for a HomeStart grant.

The amount of the grant varies, depending on whether you are purchasing an existing home or a new home (or land on which to build a new home). For someone purchasing an existing home, the grant is worth a minimum of $3,000 and a maximum of $5,000, and for someone purchasing a new home or land to build a new home on, it is worth a minimum of $6,000 and a maximum of $10,000.

The grants, which are administered by Housing New Zealand, are subject to qualifying criteria including income and house price caps. More information about the grant is available at www.kiwisaver.govt.nz/new/benefits/home-sub/. Any queries about KiwiSaver HomeStart grants should be directed to Housing New Zealand and not to the Scheme Secretary or the Trustee.