

# DAIRY INDUSTRY SUPERANNUATION SCHEME NEWSLETTER FEBRUARY 2015

## STEADY PROGRESS CONTINUES

Returns from the Scheme's investments continued to build on a solid first half performance, with all asset classes continuing to post positive returns.

Trans-Tasman shares maintained their run of pleasing results. New Zealand shares reached record highs in December, again supported by a relatively robust local economy. Across the Tasman returns from Australian shares were sound in spite of concerns about the impact of the ongoing slump in commodity prices on the Australian economy.

Despite plummeting oil prices and Russia's economic woes sending shivers through global share markets towards the end of the period, international shares still managed to post a sound return.

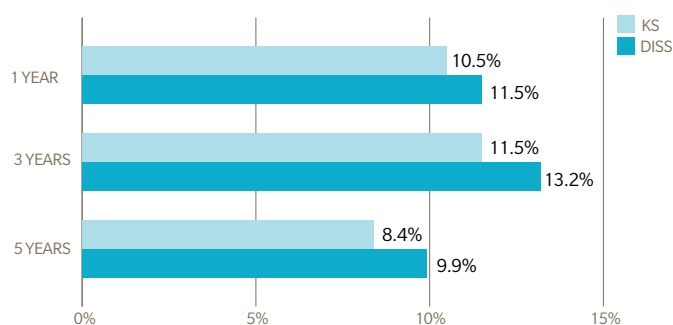
Low oil prices are expected to restrain inflation, making central banks less likely to increase interest rates. Consequently, global fixed interest securities also posted healthy returns over the past three months.

New Zealand fixed interest also did well during the quarter, benefitting from our relatively high interest rates and a low inflationary outlook.

## BALANCED FUND RETURNS CONTINUE TO COMPARE WELL

The chart below compares returns for the Scheme's Balanced fund with the median (or middle) return from KiwiSaver schemes with a similar asset mix. It shows that the Balanced fund continues to significantly outperform the KiwiSaver median over the periods measured.

### DISS Balanced fund return v KiwiSaver balanced fund median return 1, 3 & 5 years (pa)\* to 31 December 2014



\*Returns are shown after fees and before tax  
Source: Mercer

For more detailed information about the Scheme's investment performance, see the quarterly investment update, which is available by signing in to [dairysuper.superfacts.co.nz](http://dairysuper.superfacts.co.nz) and going to the investments page.

## Returns for each investment option after tax, fees and expenses to 28 February 2015

	Cash	Cash/ Conservative	Conservative	Conservative/ Balanced	Balanced	Balanced/ Growth	Growth
Scheme year to 31 March 2014	1.8%	3.0%	4.3%	6.5%	8.8%	10.2%	11.6%
<b>Periods to 28 February 2015</b>							
Scheme year to date (11 months)	1.9%	4.2%	6.5%	8.3%	10.2%	11.2%	12.2%
12 months	2.1%	4.3%	6.6%	8.4%	10.3%	11.3%	12.2%
3 years (average pa)	2.3%	4.4%	6.5%	8.6%	10.8%	12.0%	13.2%
5 years (average pa)	2.1%	3.7%	5.4%	6.7%	7.9%	8.6%	9.2%
10 years (average pa)	3.1%	3.8%	4.5%	4.8%	5.0%	5.1%	5.2%

Fund returns are determined each month. The reported returns are effective returns, taking into account the effect of compound interest and rounded to one decimal place.

## A NOTE OF CAUTION

As the table on the previous page shows, recent after-tax and expenses returns have been very satisfactory, particularly for the Balanced and Growth options which have a higher proportion of investments in growth assets. In fact, since March 2009, the lowest point for the New Zealand share market during the global financial crisis, our share market has gained more than 120%.

In part, these returns have been due to share markets making up lost ground after the global financial crisis. Another contributory factor has been record low interest rates as economies including the US, UK and Eurozone have introduced measures to stimulate economic growth.

### Are returns expected to continue at current levels?

Of the major share markets, the US led the upward charge in 2014. Some experts are predicting its bull market will continue during 2015, although not to the same extent. Market volatility is expected to continue as, led by the US, some central banks start to increase interest rates from record lows. However, asset purchasing – or quantitative easing – programmes being undertaken by Japan and the Eurozone are expected to limit interest rate rises in some parts of the world. Rising interest rates will also reduce returns from fixed interest investments.

### Did you know...

You can choose how information about the Scheme is sent to you. If you haven't done so yet, let us know by signing in to [dairysuper.superfacts.co.nz](http://dairysuper.superfacts.co.nz) and select either 'Update my preferences' or click on the 'Personal details' tab at the top of the 'Your super' page. **If you have an email address registered with the Scheme but would like your annual report and benefit statement posted to you, please ensure your communication preferences reflect this.**

## THE BEFORE AND AFTER OF RETIREMENT DAY

George Foreman, former world boxing champion and healthy eating entrepreneur once said "The question isn't at what age I want to retire, it's at what income." In other words, to work out how much you need to save before you retire, you should have a solid understanding of what retirement is likely to cost. That can be a challenging prospect and there will be additional expenses and unforeseen costs you may not have even considered. That's not surprising – a survey last year revealed that 42% of New Zealanders don't know how much they need to save for their retirement.

Jumping online is a quick and easy way to help you along the way to predicting your financial future. Planning tools such as those available on the Commission for Financial Capability's [Sorted](#) website allow you to estimate how much you may have in retirement, and what you need to do to ensure you can afford your desired retirement lifestyle.

Talking with an appropriately qualified financial adviser can also be a real help in getting the financial aspects of your retirement plans in place.

### The big day arrives!

It will probably take you many years to reach your retirement savings goal. But what happens when the day arrives and you suddenly see all that money sitting in your bank account? Until then, it had been pretty-well out of reach in the Scheme, getting ready to help you through your retirement years. But now all that cash is right there, accessible and ready to spend!

Spoiling yourself a little bit with a Pacific cruise or some other special treat isn't unreasonable when celebrating leaving the workforce. But remember, saving for retirement is all about guaranteeing an income that allows you to live the lifestyle you want, for as long as you need it to. It's vital, therefore, to avoid looking at your benefit as a lump sum.

Viewing it as a sudden, accessible pot of gold, rather than as a regular long-term income, means there is a real likelihood of your hard-saved cash not lasting the distance. Don't be tempted to get carried away – the money has to last quite a few years, probably 25 or more.

## CUTTING THROUGH THE JARGON

Some of the terms used in Scheme communications are specific to superannuation, estate planning or investments.

**Central bank:** The entity responsible for overseeing the monetary functions for a nation or group of nations, such as managing the value of a currency, regulating money supply and supervising the operations of commercial banks. One of a bank's major weapons is its ability to adjust interest rates.

**Bull market:** This is a period of several months, or sometimes years, during which asset prices are consistently rising – and investors are confident they will continue to rise. While often used in reference to share markets, the term can also relate to property, fixed interest securities and currencies. A bull market is the opposite of a bear market, in which prices are consistently falling.

**Quantitative easing (QE):** Also frequently referred to as asset purchasing, this is where a central bank issues "new" money (essentially creating it from nothing) and uses it to purchase assets, such as bonds, from commercial banks. The cash these banks receive can then be loaned to borrowers. Ideally, by making it easier to obtain loans, interest rates will drop and consumers and businesses will borrow and spend more. This lifts the demand for goods and services, encourages job creation and, ultimately, hopefully raises a country or region out of its economic slump.

### Looking for information about the Scheme?

The Scheme website [www.dairysuper.superfacts.co.nz](http://www.dairysuper.superfacts.co.nz) includes a wealth of information. If you have any questions about the Scheme or your membership, we encourage you to make it your first port of call.