

## The Only Constant is Change

Welcome to your Lifestages KiwiSaver Scheme (the “Scheme”) Report for the six-month period ending 30th September 2021. We are excited to announce some great enhancements to the Scheme, particularly our updated responsible investment policy.

The last six months has seen solid returns for the Lifestages High Growth Fund, returning 6.10% and for some of the Lifestages Auto option age ranges, with returns ranging from 6.10% to 1.58% (after charges but before tax and member fees).

The last six months represented a consolidation of the gains that were in place following the extended market recovery after the initial Covid-19 shock in March 2020.

Equities performed well, supported by strong gains in the technology sector. Equity earnings were also supported by the accelerating roll-

out of Covid-19 vaccines which helped to restart the global economy. The main hiccup was in the Chinese equity market, where large parts of the economy have been targeted with new regulations. Examples included:

- > The Chinese Government crackdown on technology, social media and education firms; and
- > A ban on cryptocurrency in China.

Strong household and business activity has resulted in rising interest rates, particularly here in New Zealand, where the Reserve Bank of New Zealand increased the Official Cash Rate from 0.25% to 0.50% in October, the first increase since 2014.

Those higher interest rates, in turn, have dampened returns for conservative risk investment profiles like the Lifestages Income Fund and Lifestages Auto Option 65+ which have large allocations to fixed interest bonds. However, we expect these higher interest rates to flow into higher future returns as the markets move through this adjustment period.

## Responsible Investing

The team at FANZ is always working hard to add value to your Scheme so that members like you are on track to achieving your long-term saving goals.

We like to take a hands-on approach to life and to our investments. In other words, we believe in actively managing your investments. This allows us to take advantage of opportunities in a responsible and environmentally friendly way.

The key principles that are embedded in our philosophy are:

- > We actively manage your investments to create value for members over the long term;
- > We invest responsibly;
- > We balance performance and risk to an appropriate level for our members; and
- > We understand the local and global economic themes that are impacting investments.

As many of you will recall, we began our responsible investment journey in 2016, when we screened out Scheme investment in nuclear weapons, weapons of mass destruction (eg Cluster Bombs), and tobacco investments. Additional screens have been added to exclude or minimise investment in a number of other harmful investment types.

Our investment screens now eliminate or greatly reduce our investment in organisations that are involved in civilian firearms, alcohol, nuclear, gambling & casinos, or adult entertainment.



Additionally, we’ve refined our investment process to favour investments that are less carbon and fossil fuel intense to “do our bit” in the climate change battle. In simple terms, the underlying investments in the Lifestages High Growth Fund produce 72% less carbon today than what they did in 2016 and the Fund has 87% less fossil fuel involvement than it did in 2016\*.

For more information about these changes, you can read our Environmental, Social, and Governance (“ESG”) Investing Principles at [www.lifestages.co.nz/kiwisaver/lifestages-kiwisaver-scheme/document/2072](http://www.lifestages.co.nz/kiwisaver/lifestages-kiwisaver-scheme/document/2072).

## Our Commitment to Carbon Reduction

The New Zealand Government has recently introduced stricter climate and emissions related regulations which will take effect in 2023. We believe this is the direction that both the Scheme and New Zealand, as a whole, should be heading in. We have chosen to act early rather than wait until the laws come into effect to start doing our part.

We have been working hard to meet our climate goals by committing to reducing and offsetting our own corporate carbon emissions. This means cutting back where possible on carbon intensive activities

such as flights, using more energy efficient vehicles, and purchasing and redeeming carbon credits to offset any remaining emissions.

For example, our Financial Advisers drive hybrid vehicles (and have done so for the last four years) and we offset any carbon emissions when taking flights for business.

We also plan to extend the scope of our offsetting programme to include the offsetting of carbon emissions across all of our business activities.

## Changes to the Funds

As at the end of September we made some changes to the Lifestages High Growth Fund and the Lifestages Income Fund. These changes also affect Lifestages Auto, which invests in a mix of these two Funds.

The investment markets are continually changing. Therefore, we regularly review the underlying investments and investment strategy. Due to the current low interest rate environment, we revised the investment strategy of the Lifestages Income Fund and the Lifestages High Growth Fund.

The revised investment strategy allows for the Lifestages Income Fund to hold up to 25% in high yielding Australasian equities and/or listed property, and infrastructure investments. This may result in some unit price volatility in the short-term but is expected to deliver more income going forward over the next few years.

Within the Lifestages High Growth Fund, we have removed our benchmark allocation to infrastructure and listed property and increased our international equity allocation.

Asset Class	High Growth New Allocation	High Growth Old Allocation	Change
International Equities	72%	64%	+8%
Australasian Equities	26%	26%	-
Listed Property	0%	3%	-3%
Global Infrastructure	0%	5%	-5%
Cash	2%	2%	-

## Lifestages KiwiSaver Scheme Fund Performance for the period ending 30 September 2021\*

Fund	6 Months	1 Year	3 Years p.a
Lifestages Income Fund	0.09%	-1.80%	2.24%
Lifestages High Growth Fund	6.10%	19.09%	8.99%
Lifestages Auto Option 0-34	6.10%	19.09%	8.99%
Lifestages Auto Option 35-44	4.89%	14.70%	7.79%
Lifestages Auto Option 45-54	3.69%	10.39%	6.49%
Lifestages Auto Option 55-64	2.48%	6.21%	5.12%
Lifestages Auto Option 65+	1.58%	3.15%	4.07%

\*The performance above is after deductions for charges but before tax and member fees. Past performance is not indicative of future returns. The principal and returns of the Scheme are not guaranteed or secured in any way by FANZ, SBS Bank or any other person.

## Lifestages Auto

We have made Lifestages Auto the default investment profile for members who do not self-select their investment profile for their investment into the Scheme.

Lifestages Auto invests in combinations of the Lifestages High Growth Fund and the Lifestages Income Fund in proportions that vary in accordance with pre-selected age bands. This automatically adjusts the risk profile of your investment by altering the proportions invested into the Funds based on your age as at 31 July each year.

We believe that Lifestages Auto is a great way to 'set and forget' your investment profile and let us do the hard work for you when it comes to managing your risk profile.

More information about Lifestages Auto can be found in the latest PDS at [www.lifestages.co.nz](http://www.lifestages.co.nz). We encourage you to review this and consider if it might be right for you.

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).

FANZ is a licensed financial advice provider. You can find our Financial Advice Provider Disclosure Statement at [www.lifestages.co.nz/home/document/1996](http://www.lifestages.co.nz/home/document/1996).

The information is of a general nature only and has not been prepared with regard to the individual needs of any member. Details are current as at the date of preparation and are subject to change. Investments in the Funds do not represent deposits or other liabilities of FANZ or its parent SBS Bank (or any other member of the SBS Bank group), 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 Funds are not guaranteed or secured in any way by FANZ or by its parent SBS Bank (or any other member of the SBS Bank group), the Government, the Supervisor, or any other person.

\*These percentages reflect data sourced from reputable third-party investment research providers, and are based on the Lifestages High Growth Fund holdings, as at 31 March 2016 and 30 September 2021. While all care has been taken, neither Funds Administration New Zealand Limited nor any other person accepts responsibility for any errors. Aggregate fossil fuel involvement and carbon intensity figures for the Lifestages High Growth Fund are calculated as an asset-weighted average of underlying holdings. You can find more information about our approach to responsible investing in the SIPO for the Lifestages KiwiSaver Scheme at [www.lifestages.co.nz/kiwisaver/lifestages-kiwisaver-scheme](http://www.lifestages.co.nz/kiwisaver/lifestages-kiwisaver-scheme).