2 Minutes on Super

NEWS, REMINDERS AND TIPS ABOUT YOUR SAVINGS

What we're talking about

We've made some changes to how we invest PSS funds that aim to improve returns to members. We have increased the weighting of growth assets in Balanced, our most popular fund. We have also made changes to the types of growth assets we invest in. We also cover our investment manager's commitment to reduce the carbon footprint of funds under management in line with the Paris Agreement on climate change.

Explainer: growth assets vs income assets

Investments can broadly be divided into two types: growth assets and income assets

	Named because	Examples	Risk/return
Growth assets	Returns come mainly from capital gains	Shares, property	Returns tend to be higher over time with more ups and downs along the way
Income assets	Returns come mainly from interest	Cash, bonds	Returns tend to be lower over time but more consistent

Balanced option now invested in 60% growth

Just under half of members' funds are invested in Balanced. It's a big fund totalling over $1.1 billion. Until now, that fund has been split evenly between growth and income assets. This put it at the conservative end of what would typically be called a balanced fund. On 20 August, we changed the mix to 60% growth. Moving to higher growth will most likely mean returns will vary more markedly over the short term, but we feel the expectation for improved returns over time offsets this additional risk. Our new 60/40 mix of growth and income assets is in line with that offered by most KiwiSaver balanced funds.

Two things to know:

- If you are currently invested in Balanced and wish to maintain a 50/50 split of growth and income assets, you need to switch to 75% Balanced and 25% Stable.
- The risk/return profile for Super Steps members hasn't changed. We have recalibrated the split between funds for each age band to make sure the risk/return profile stays the same.

For more information, see the statement of investment policy and objectives

More NZ and global shares, fewer alternative assets

The growth assets we invest in are mainly New Zealand and global shares. However, we have diversified the portfolio with a small exposure to other growth assets like property (commercial buildings) and infrastructure (roads, airports, electricity networks, etc). Two of these minor asset classes haven't performed well for us. These are commodities (wheat, timber, oil, copper, etc) and a fund of hedge funds (funds that try to increase returns by focusing on alternative investments). We have removed the fund of hedge funds from the portfolio and reduced our exposure to commodities in favour of a higher weighting in New Zealand and global shares. The changes are the result of a planned review of our investment strategy conducted over the last year. They are also broadly in line with recommendations made by investment consultant Melville Jessup Weaver, which conducted an independent review into the scheme's investment governance, processes and performance earlier this year.

See the mix of assets in each fund

Read Melville Jessup Weaver's report

Mercer targets greenhouse gas emissions

Our investment manager Mercer New Zealand has committed to a target for its investment funds of net-zero absolute carbon emissions by 2050. Net-zero means that any greenhouse gas emissions are offset by investments and activities that remove carbon dioxide from the Earth's atmosphere. To achieve its goal, Mercer expects to reduce portfolio carbon emissions by 45% from 2020 levels by 2030. Mercer aims to make the transition without sacrificing returns to members. The net-zero target aligns with the goals of the Paris Agreement. This international treaty on climate change was agreed in 2015. Its goal is to limit global warming to 1.5°C compared to pre-industrial levels.

Read more about Mercer's commitment to net-zero carbon

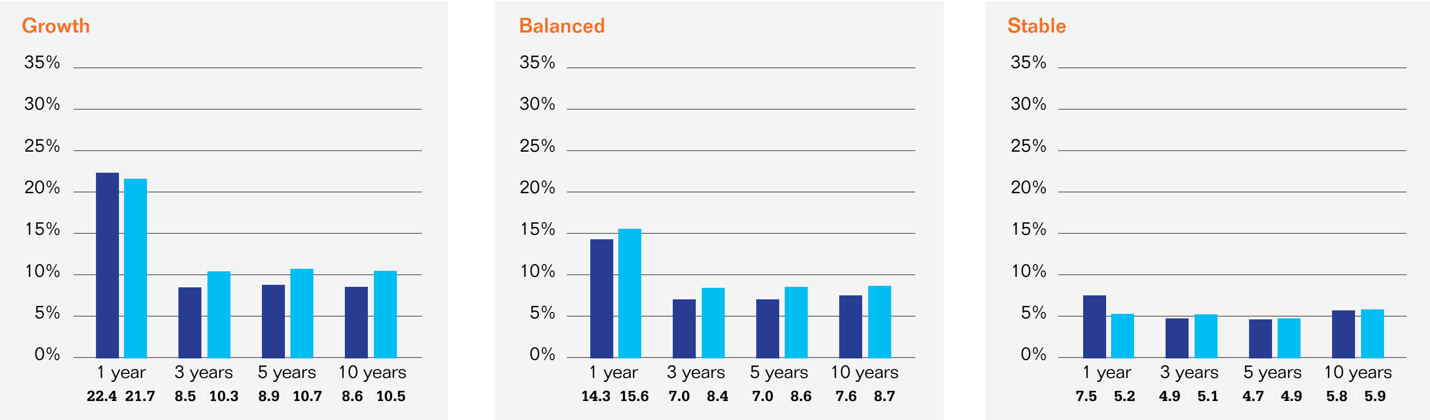
New trustee director

We're pleased to announce the appointment of Graham Ansell to the Board of PSS Trustees Limited. Graham is an Auckland-based director and investment consultant. His long career in finance and fund management includes 8 years with the Reserve Bank of New Zealand and 6 years as Chief Investment Officer of ANZ Investments, the country's largest commercial funds management organisation. Graham's appointment brings us to a full complement of six directors.

Global shares outperform NZ shares in 2021

You'll remember that PSS has a higher proportion of our share portfolio invested in global shares than most KiwiSaver funds. Strong returns from this asset class this year have helped PSS Growth and Conservative pull ahead of average returns from KiwiSaver funds over the short term. PSS Balanced lags behind largely due to being more conservative than comparable funds. We have addressed this by moving to a 60/40 split between growth and income assets.

PSS vs KiwiSaver investment returns Periods ended 30 June 2021 (after fees and before tax)



PSS returns for periods to 30 June 2021   **Average from Morningstar KiwiSaver Survey June Quarter 2021**

These graphs compare returns from our three main funds with comparable funds in the Morningstar KiwiSaver Report. Morningstar is an independent company that monitors KiwiSaver fund performance.

Got a question?

pss.superfacts.co.nz

You'll find plenty of information about the PSS and your membership online. Our website is optimised for mobile phones and tablets and has lots of features to help you manage your super.

0800 PSSCHEME (0800 777 243)
The helpline hours are 9.00am to 7.00pm Monday to Friday (except public holidays).