Marae Trustees

INVESTMENT FOUNDATIONS WORKBOOK

WAIKATO TAINUI

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It is current as at 30 September 2020 and is subject to change as a result of changes in the operating and regulatory environments.

Topics

Hinetaewa's Story

Hinetaewa is 22 years old and she was brought up by her grandparents. They didn't have a lot of material things but her grandparents ensured that she knew how important it was to use money wisely and not waste it on unnecessary things. Some of the things they talked about was investing together as a whānau, using their collective power and always providing for the future generations. She spent a lot of time in the garden with them as a child, soaking up everything they knew. They were avid gardeners and her koro used to teach her about investment by using his seed potato and harvest as examples. He always used to joke that she should be a spud seller when she grew up.

While she was studying she would always go back to help prepare the garden, plant and harvest. She has now graduated and has a good job. When she got her first job out of university, her koro told her to start saving a deposit so that she could buy a house within five years. She followed his advice and expects to have enough deposit within two years.

A few years back her Nan passed away and recently her Koro joined his wife. She was surprised to learn that they had accumulated a lot of wealth over their lifetimes as it was never obvious to her. All her life, she never needed anything but they lived a humble life. She found out that in addition to tens of thousands of dollars in his bank account, they also owned their own property on Māori land plus three freehold rental properties and some investments in managed funds.

He left clear instructions;

1. All of the financial assets (cash, properties, managed funds) were to be put into a whānau trust and grown for the benefit of future generations with all income to be reinvested instead of spent for at least 20 years. Hinetaewa was given the responsibility as sole trustee.
2. Hinetaewa was to inherit her grandfather's collection of seed potatoes which included six (6) different varieties and ensure that there were always seed potatoes available for her and anyone who wanted them.

Hinetaewa really missed her Nan. But when she lost her Koro she struggled. As she heard the will read out, a smile crossed her face and she could feel their presence. That night though, she realised the responsibility she had to maintain and grow Koro's seed potato collection for her generation and the ones yet to come. Then she started to figure out how she could even do that given that she lived in an apartment in the city.

Hinetaewa didn't want to give up on her career she had just started but she wanted to ensure that she did what she knew her koro expected of her.

Hinetaewa's story will be used to help demonstrate key investment concepts

Investment Foundations

Investment is really about managing your resources so they work for you as you balance the short and long term needs but more importantly how you balance the interests of current and future generations.

WHAT IS INVESTMENT?

The purchase of an asset or resource now in the hope that it will generate returns over **time.** It involves short term sacrifice for future potential gain.

Examples:

- Investment in wānanga because we want to grow the knowledge of Te Reo me ona Tikanga – **cultural return.**
- Investment in education because we want to grow the capability of our people – **social return.**
- Investment in riparian planting because we want to improve the mauri of the waterway and its ability to keep providing kai – **environmental and social return.**

WHAT IS FINANCIAL INVESTMENT?

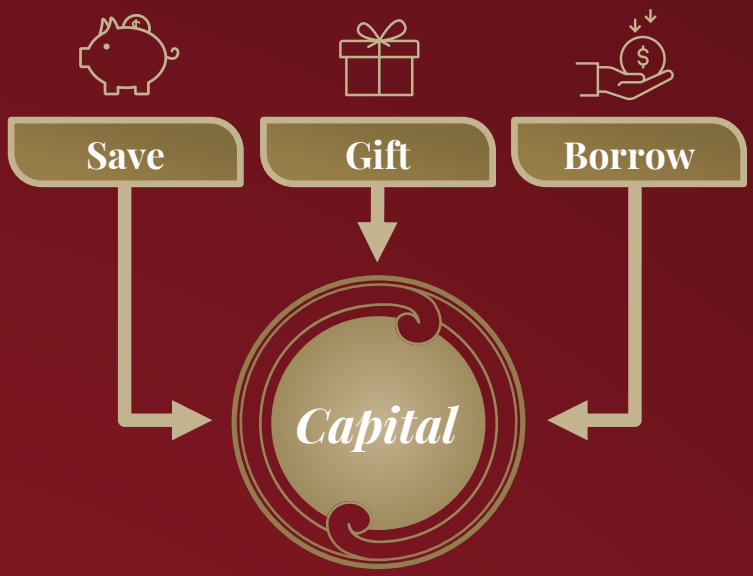
Because the kaupapa of this mahi is financial investment, it is the purchase of an asset now in the hope that it will generate income or increase in value over time.

Examples:

- Putting money into a savings account.
- Putting money in a term deposit at the bank in order to generate interest income at a higher rate than a savings account.
- Investing in shares so that you can earn dividend income and/or sell them for a higher price at a later time.
- Investing in a rental property so that you can earn rental income and/or sell it for a higher price later on
- Investing in KiwiSaver so that you can earn retirement income after 65.

INVESTMENT CAPITAL

The original amount you invest is called capital. Capital can be saved up over time, gifted to you or borrowed by you. That capital can be invested in two main types of investments – income investments and growth investments. Income investments generate regular income while growth investments grow in value over time. Some investments do both.



INVESTMENT RETURNS

Both types of investment earn investment returns, also known as returns. This means the amount of money you get back from your investment. **INCOME** investment returns include **regular income generated** such as interest on funds invested in a bank savings account or term deposit, interest on bonds invested with the government, bank or companies, rental income from renting out a property or dividends earned from holding shares. This is usually earned on a regular basis such as weekly, monthly, quarterly or yearly. Examples of **GROWTH** investment returns include **increases in value** of shares, property, or a business that you receive only once the investment is sold.

	INCOME	GROWTH	FORM
SAVINGS ACCOUNTS	Interest	No	Debt
TERM DEPOSIT	Interest	No	Debt
BONDS	Interest	No	Debt
PROPERTY	Rental	Possible	Equity
SHARES	Dividends	Possible	Equity
BUSINESS	Interest Dividends	Possible	Debt Equity

FORMS OF INVESTMENT

There are two forms of investment. The first form is DEBT and this where you are simply lending (investing) money to other parties in exchange for them paying you (interest). They will pay this to you in exchange for being able to use that money for an agreed period of time. You don't own a share of their business. The second form is EQUITY which entitles you to a share of ownership of an asset or business and a proportional share of any income that is distributed.

Notes

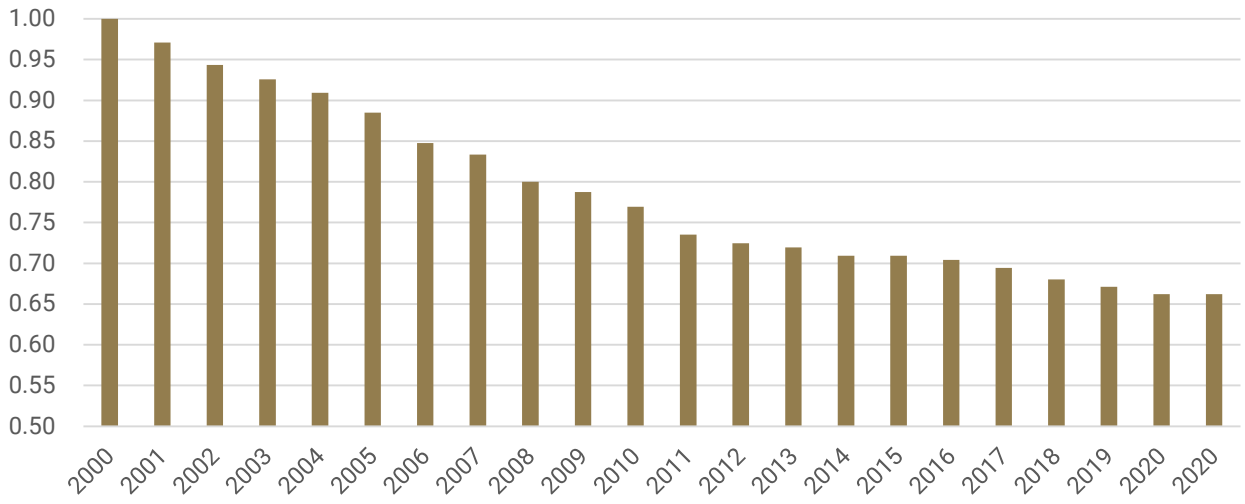
Key Concepts

Whether its gardening or finance, there are key concepts. Gardens require good soil, water, sun protection and care. In the world of investment, there are also a number of important concepts that must be considered when making investment decisions.

1. Time Value of Money

The time value of money refers to an amount today being worth more than an identical amount tomorrow (or at some point in the future). This is because that $1 today can be immediately invested and start earning income and/or growing in value. Investing today gives you a head start. It also means that $1 that gets invested today does lose value due to inflation. The $1 that doesn't get invested will lose value due to the reducing buying power of money over time (inflation).

This graph shows you that it will cost you $1 in 2020 for something that cost $0.66 back in 2000. Your money buys less than it did in 2000.



$1 today is worth more than $1 in the future so invest today.....

But the questions are always how do we know what to invest in and how do we get the confidence to invest?

The first step is to invest in learning about the kaupapa. Arm yourself with knowledge so that you are more confident when talking with your investment advisors.

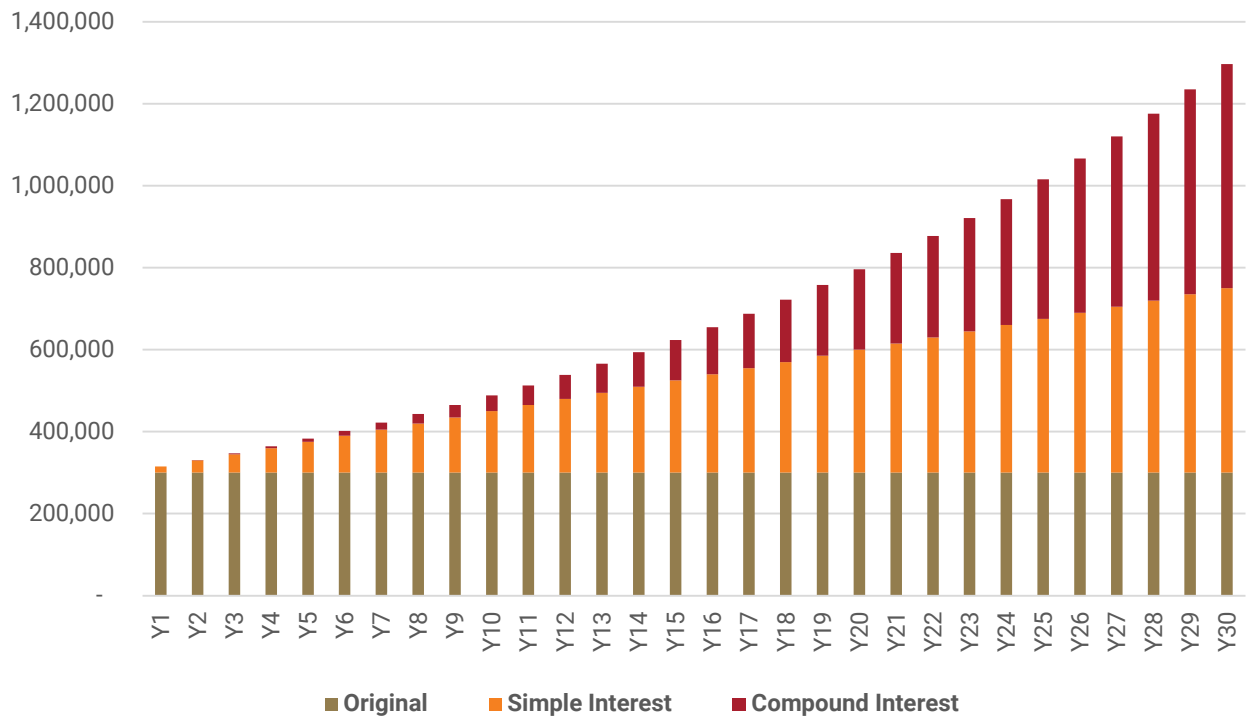
If Hinetaewa does not grow the collection, eventually it will not be able to feed as many people. On the other hand, if she plants she will produce more eating and seed crop to maintain pace with the growing whānau.

2. Compounding Interest

Compounding interest occurs when you earn interest on the original amount invested **AND** you then reinvest that interest.

This means that you would earn interest on interest. That is you earn interest on the original amount invested **AND** earn interest on the previous interest earned that was reinvested. Your money does the work. Eventually, you will earn more interest on the reinvested interest than you will on the capital (also known as principal) originally invested.

This graph shows the impact of a one-off investment of $300,000 at 5% over 30 years. You can see that over a long enough time frame, the compound interest (red) becomes higher than the original amount invested (gold) and higher than the interest on the original amount (orange).



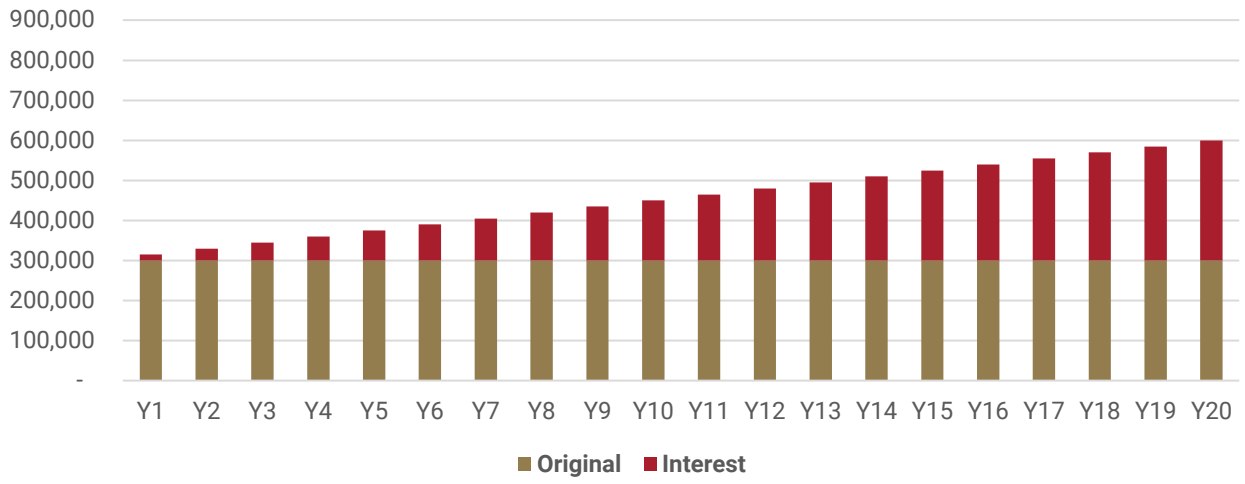
You can work for your money or your money can work for you.

Hinetaewa can grow the size of the collection by adding seed to it every season so new seed can produce more.

Two Types of Interest

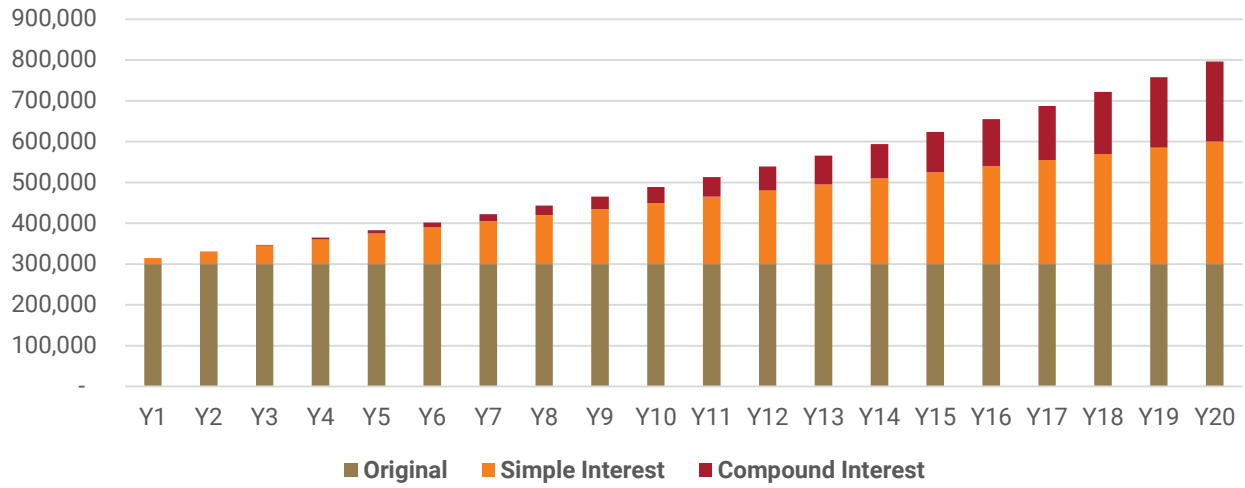
There are two types of interest, simple interest and compounding interest. Simple interest is when you earn interest on the original capital/principal (gold bars below) and distribute it (or have it paid out) rather than reinvesting the interest. The red bars below reflect the total amount of interest earned over time and paid out. Because the interest has been paid out, the total amount invested at the end of the period is still the $300,000 but because of inflation it will not be able to buy the same amount that could have been bought when it was originally invested.

Accumulated Simple Interest @ 5%



And then there is compounding interest (which we have already discussed) where interest is earned on both the original investment (orange) and on the reinvested interest (red).

Accumulated Compounding Interest @ 5%



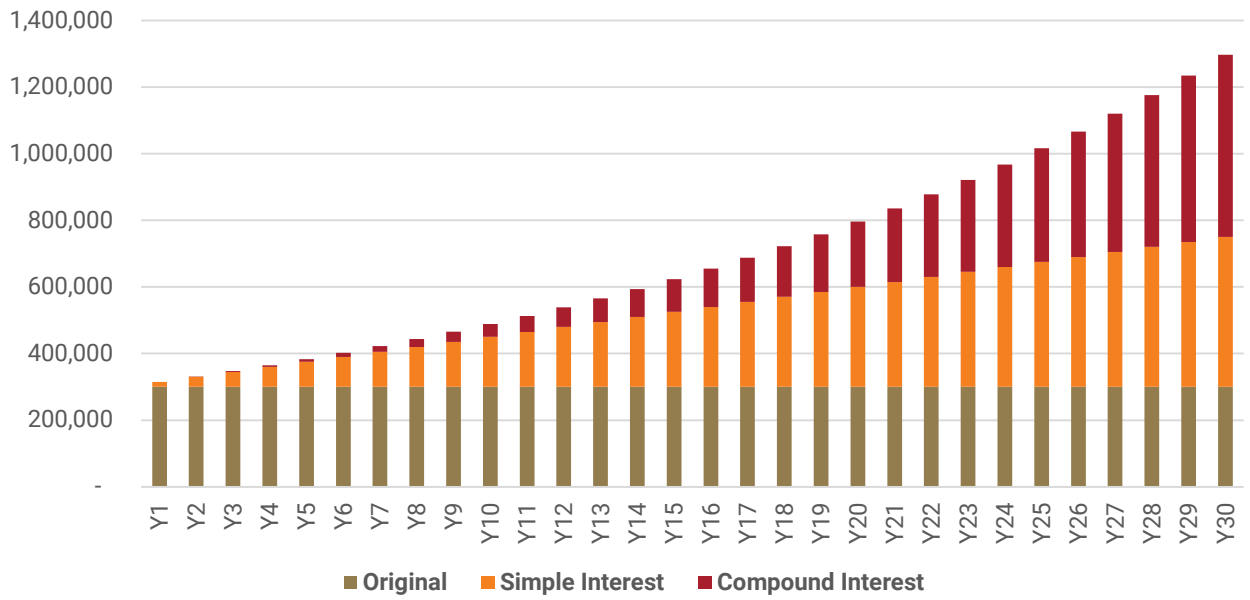
The difference is almost $200,000 over a 20 year period at a 5% interest rate. The amount of interest earned on reinvested interest will keep increasing if reinvestment of interest continues.

The Impact of Interest Rates

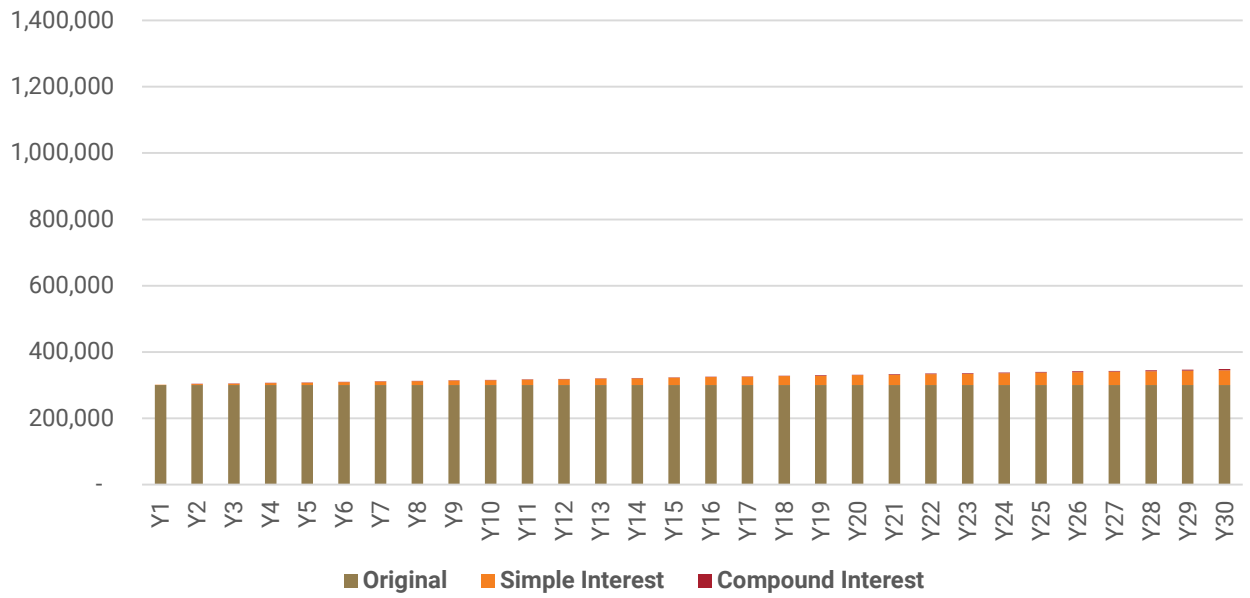
But interest rates matter!

We are in a lower interest rate environment in 2020 and so it is important to see the difference that changes in interest rates have on the performance of your investment over time. This example is over 30 years.

Compounding Interest @ 5%



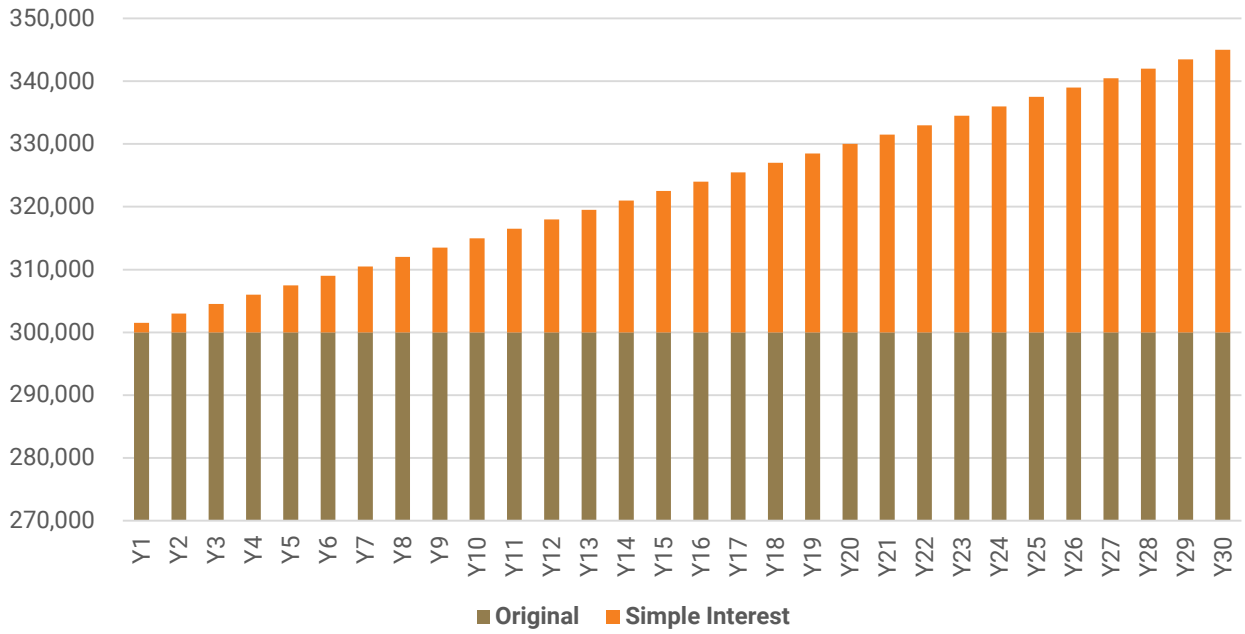
Compounding Interest @ 0.5%



The Compounding Effect at Lower Interest Rate

At very low interest rates, the difference between compounding and simple interest is minor and it is therefore it is important to think about and understand different types of investments and the opportunities, risks and implications of those alternative investments.

Simple Interest @ 0.5%



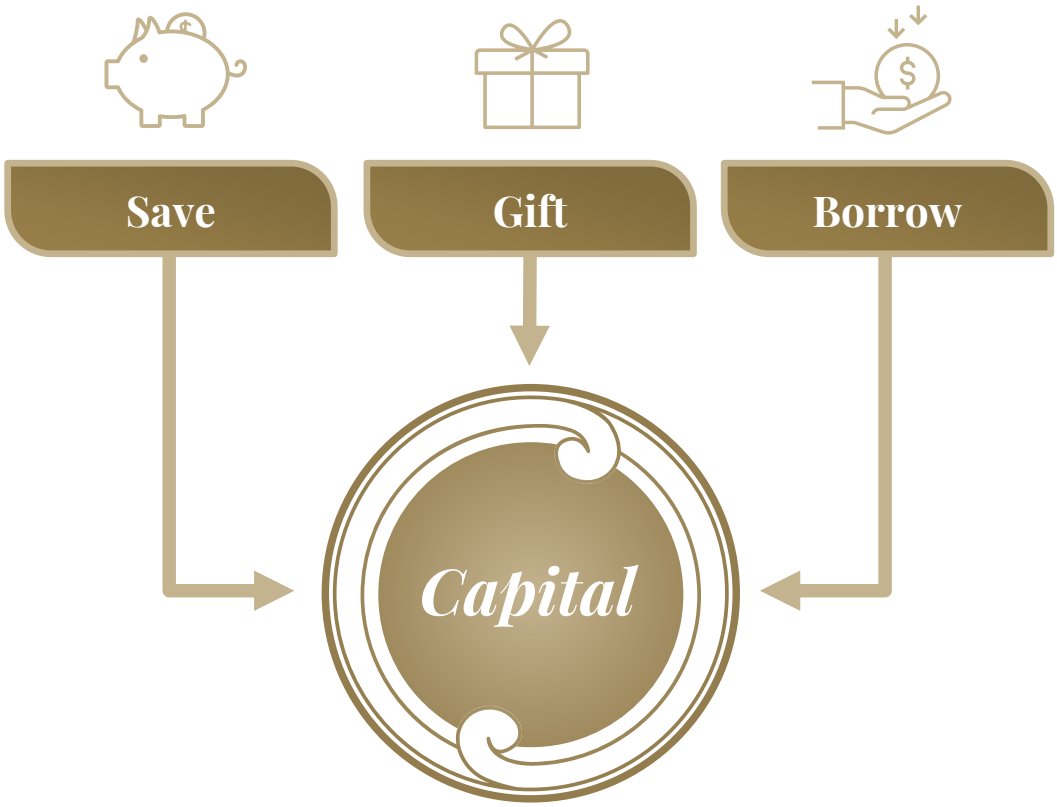
Compounding Interest @ 0.5%

Notes

3. Capital

Capital is the original amount that you start off with in order to invest and grow that investment (or business). You can add to that capital over time. It is sometimes referred to as principal when investing in term deposits.

You might have saved that capital over time, you might have been gifted it or you may have borrowed it to start your investment portfolio or start a business.



What you reap is what you sow. The more capital you have working, the greater the income and growth potential.

In Hinetaewa's case, capital is the collection of seed potato she has been left along with the cash, managed funds and property for her whānau. She can choose to invest all or some of it. How much she invests will determine the potential returns from her investment.

4. Return - Income

Income is the amount generated from the capital or principal but does not include the capital itself.

It can come in many forms such as interest, dividends, rental income and royalties along with many other forms.

"Never depend on a single income. Make investment to create a second."

– Warren Buffet

The potatoes that Hinetaewa grows off the seed is the income. The eating potatoes are the distributed income and the new seed potatoes that are replanted are the reinvested income.

5. Return - Growth

Some assets are invested in because they are expected to increase in value over time. This will often be because there is increased demand relative to supply of the product or service the asset is producing. In addition, some income can be reinvested that helps fuel growth.

These investments may not produce any income and in some cases may need you to invest further capital before any income is produced.

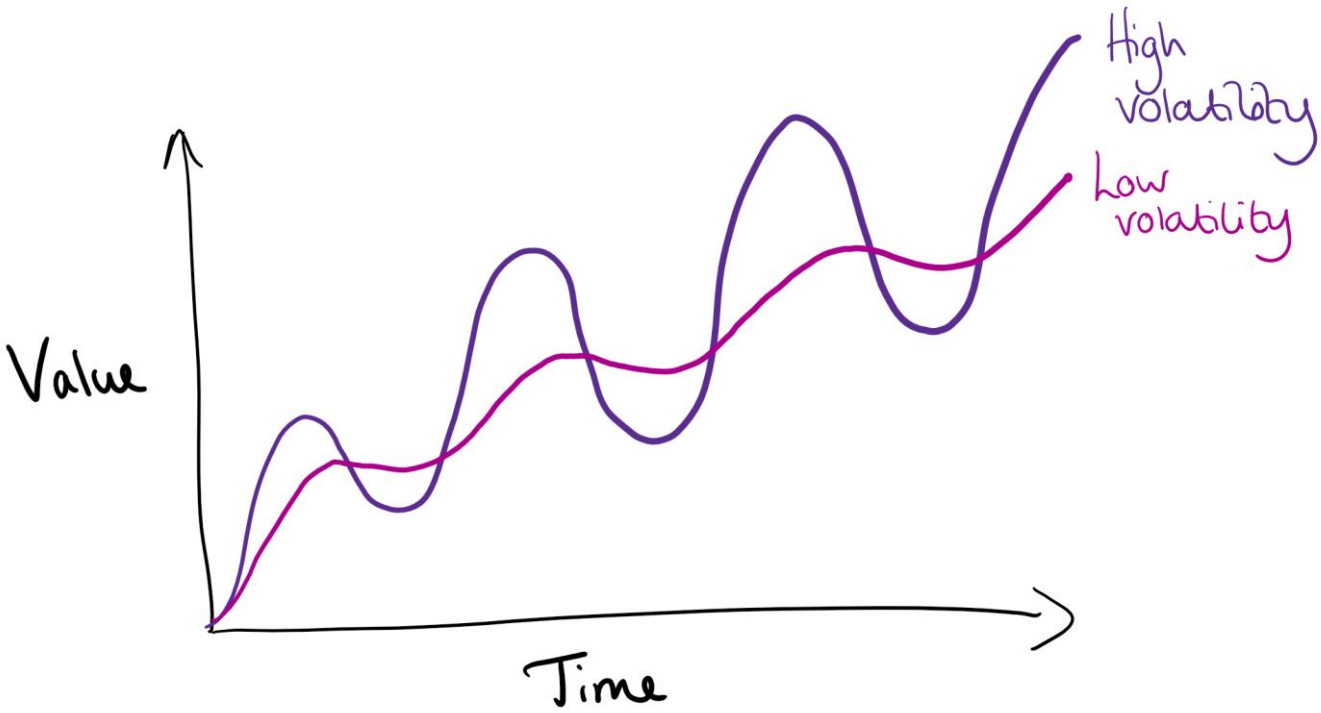
Growth is where money works for you rather than you working for money.

Hinetaewa's extra new seed potatoes represent reinvested income that causes the collection to grow and therefore enable more production of both seed and eating potatoes over time.

Notes

6. Risk and Volatility

Risk is the chance or probability that any single investment will not perform as expected. For example, it could be that funds you invest don't get repaid or that a business you are invested in doesn't provide the returns you expected or at worse goes out of business.



Risk is a part of life, it's about how you manage it.

In Hinetaewa's case, it might be the risk that the weather isn't what is needed for the crop or the chance that her plants might be eaten by animals or the harvest stolen meaning she loses both the income and seed for future growth.

7. Time

Time is a very important concept in investment and it has a bearing on your objectives, options, risk and potential returns. The timeframe you choose to invest for is based on your requirements for cash and income.

Investing early means that you can:

- take advantage of the compounding effect;
- take a longer term view and allow more time for more growth than is possible over a shorter period;
- take on more risk as your investment time frame can allow for more risk or volatility.

This graph shows the long term average trend for New Zealand's top 50 companies listed on the NZ stock exchange. It shows that markets rise and fall daily but over the long term they rise. Taking a short term at certain points may have resulted in an investor missing out on the upside that occurred after a particular event or point.

NZX50 Index – 2001 to 2020 – The Long Term View

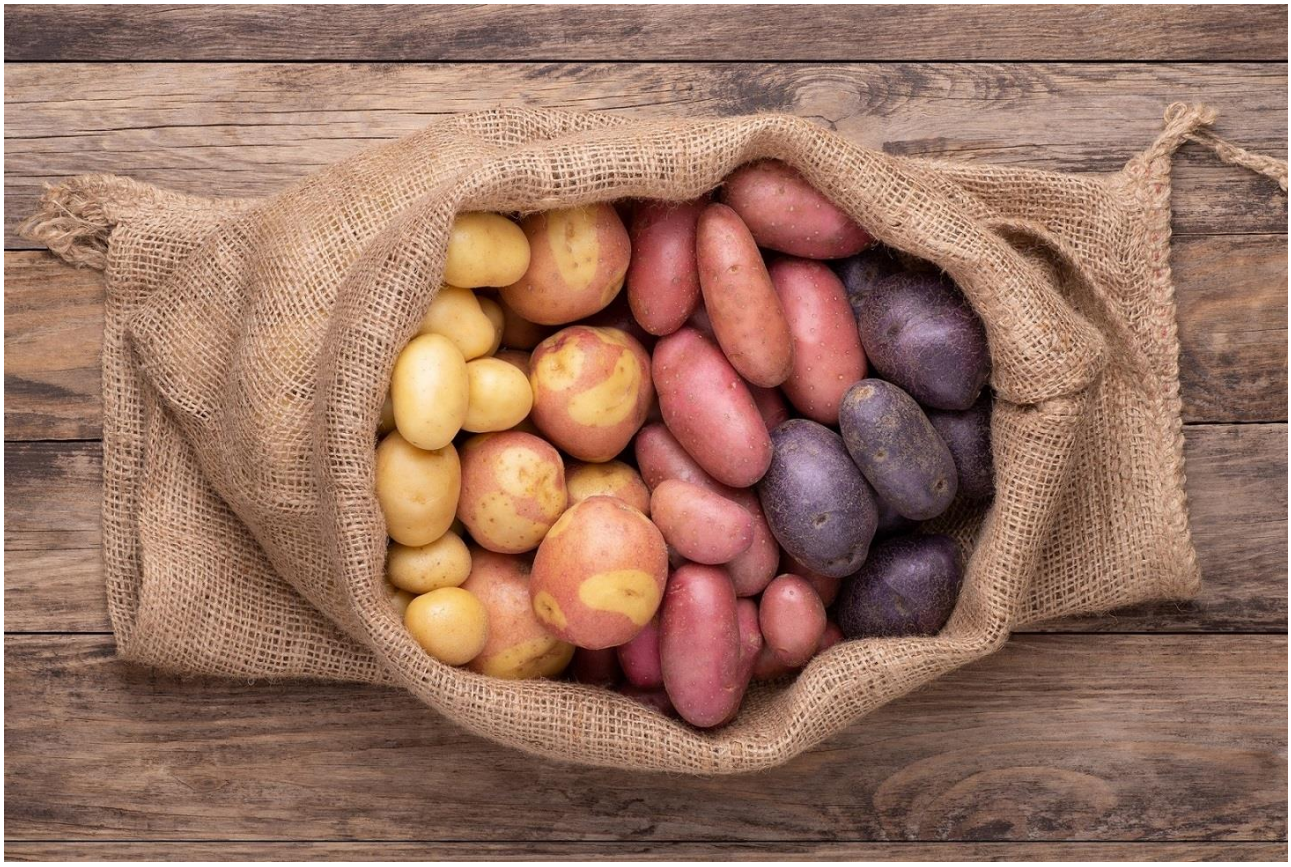
The early bird gets the worm. Time waits for no one.

The earlier that Hinetaewa starts, the larger the potential size of the collection and the better her ability to withstand some of the tough times.

8. Portfolio

A portfolio or investment portfolio refers to the mix or collection of different investments (cash, bonds, property, shares, direct investments in businesses) that are held. The portfolio will be recommended by an investment advisor after they understand what you are trying to achieve from your investments and how much risk you are willing to take.

Some portfolios might be concentrated in a narrow range of investments while others are spread across a wider range of investments.



Don't put all your eggs in one basket.

Hinetaewa might think about using different varieties, growing in different areas where the weather is better or using her knowledge of mahi maara to start on another crop altogether.

9. Debt

We usually see debt as a borrower but as an investor, one way we can invest money is by providing someone else with debt or by loaning them your capital. The intention would be for you to receive your original capital and interest payment(s) for the use of your money while they are using your money. You don't get a share of the business or investments that your capital ends up building. A term deposit is another example of investing in debt because you are lending your money to the bank. The bank may then lend that money on to their customers and charge a higher rate that the rate they pay you so that they make their own investment return.

One example of investing in debt is where Kiwibank is borrowed $400 million through a five-year retail bond issue that paid investors interest of 2.155% a year.

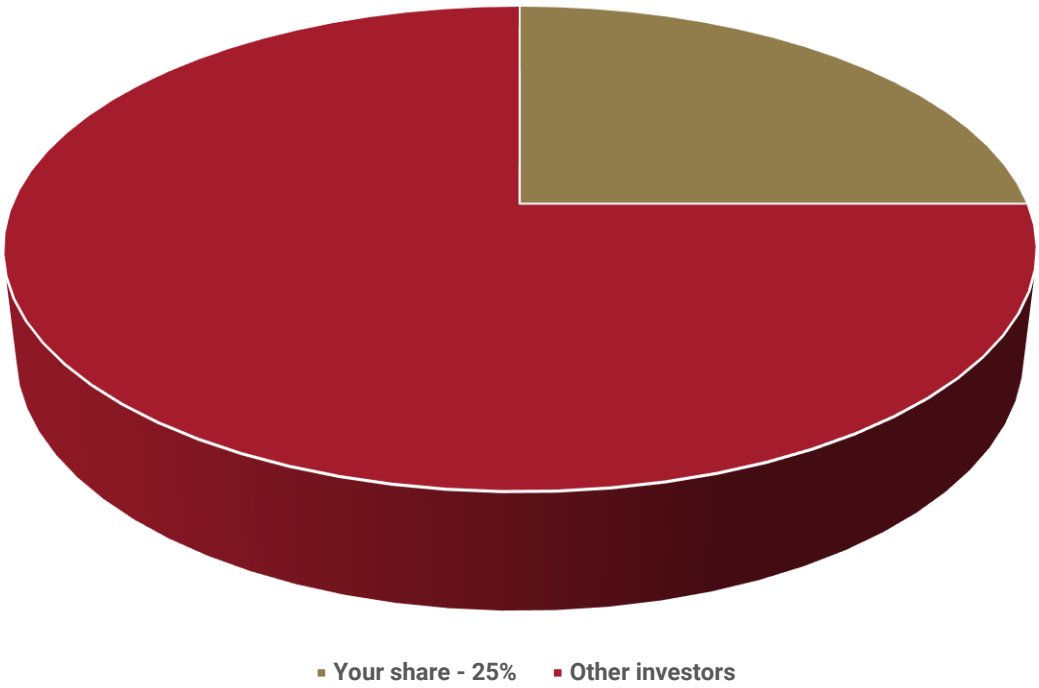
Not all debt is bad. In fact, its necessary for growth in many cases.

In Hinetaewa's case she could lend some or all of her seed potato to someone else to grow in exchange for an agreed number of seeds back through the term of the loan or at a set point in time.

10. Equity

Equity is a form of ownership or a share in the underlying investment or asset. If the value of the investment increases so does the value of the share. The reverse is also true. You might also receive income from the investment in proportion to your share of ownership. So if you own 5% of shares you might get 5% of the income that is distributed.

However having equity does not always mean that you will receive income although you often will. Some companies reinvest all of their profits rather than paying those profits out as dividends. They do this because they want to grow the company at a faster rate or because they need to preserve cash.



You take the up with the down.

Hinetaewa could "invest" some of her crop with another grower. If her contribution amounted to ¼ of the grower's seeds, she would be entitled to ¼ of any income plus ¼ of the total increase in number of seeds along with the original seeds at the end of the investment.

But if things don't go well there is a chance that she could lose her original seeds.

Notes

Types of Investments & Risk and Reward

Different types of investments offer differential **potential** returns (also referred to as rewards). Generally speaking the lower the risk, the lower the **potential** reward and the higher the risk, the higher **potential** reward.

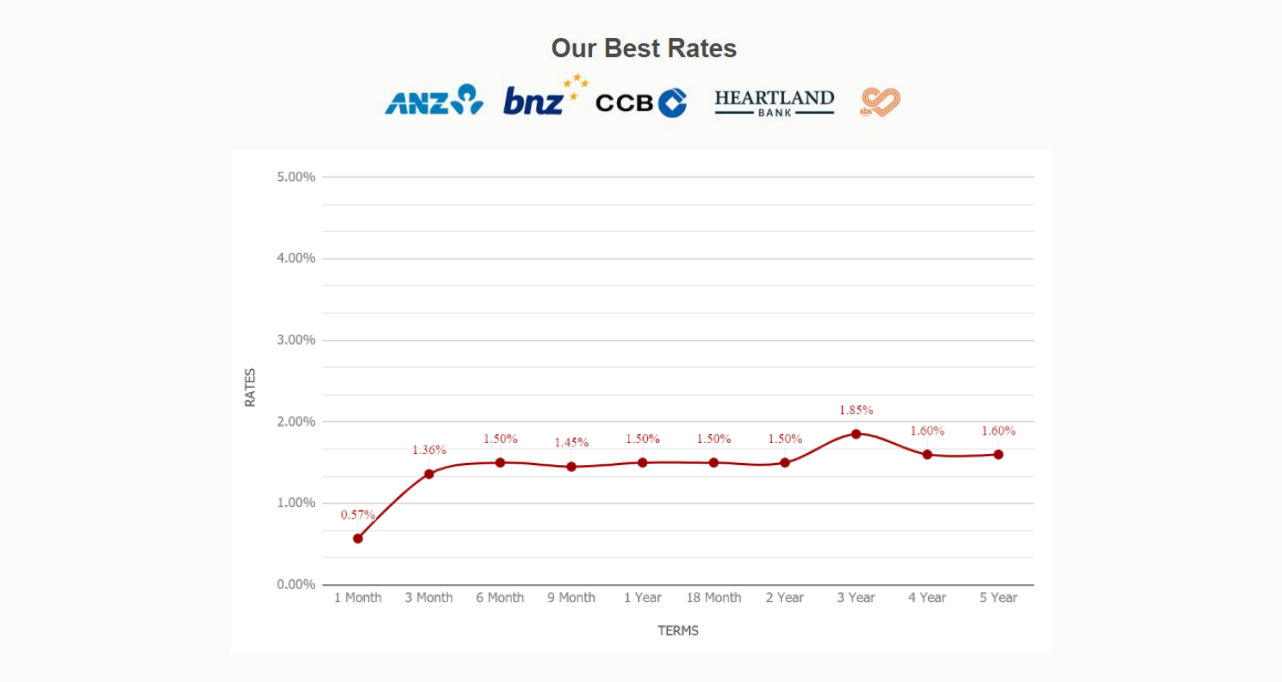
1. TERM DEPOSITS

Term deposits are like higher interest savings account with banks. Unlike savings accounts though, you agree to invest your money for a set amount of time and can not access it before that time without penalty.

Term deposits are considered one of the safest investments and because the risk is one of the lowest, the returns are also quite low.

When interest rates are low, inflation can lead to the real returns (after inflation) being so low that investors need to consider other options.

Hinetaewa may have a variety that is common and grows in any conditions. It is reliable but because there is high supply by other growers, her return on that variety will be lower than for others varieties that are less common but highly sought after.



1. TERM DEPOSITS (CONTINUED)

Term deposit interest rates

0.40 % p.a.	1.20 % p.a.	1.15 % p.a.
3 Months	6 Months	12 Months
$10,000+	$10,000+	$10,000+

Interest rates & how it works

Our term deposits are a simple fee-free way to invest $5,000 or more. They earn a fixed interest rate for a fixed period of time.

Our Term Deposit Rates

Below is a glimpse of a few great rates, for more options see all of our terms and rates.

6 months	At Maturity, Monthly or Compounding	**1.15% p.a**
8 months	At Maturity, Monthly or Compounding	**1.15% p.a**
9 months	At Maturity, Monthly or Compounding	**1.15% p.a**

^Special rates cannot be used in conjunction with any other Westpac promotion, offer or package benefit.

Popular term deposit rates

Depending on the term of your deposit, you can choose to have your interest paid monthly, quarterly, six monthly, annually, or at maturity.

1.15% p.a.	1.15% p.a.	1.15% p.a.
180 days	1 year	2 years
$2,000 - $5 million	$2,000 - $5 million	$2,000 - $5 million

Popular rates and terms

STANDARD TERM DEPOSIT	STANDARD TERM DEPOSIT	STANDARD TERM DEPOSIT
1.15 % p.a.	1.15 % p.a.	1.15 % p.a.
9 months	6 months	1 year

2. BONDS OR FIXED INTEREST

Bonds are similar to term deposits but are more commonly invested with the government or companies though also includes banks. Banks use funds you put on term deposit to lend to other customers at a higher interest rate. But when they raise money from you for bonds, these are often used for other purposes.

Businesses in which you might invest use bonds because it is cheaper than bank loans and they don't have to give up a share in the business.

Bonds are considered a higher risk than term deposits but lower than others types of investment. Its important to note that there are different types of bonds that carry different risk depending on if the bond is secured or not. The level of security determines the level of priority you are given to receive your investment in the event that a company you invest in goes out of business.

Hinetaewa may have a variety that she lends to another grower that gives more potatoes per seed that is a little bit more sensitive to weather conditions. Her risk will depend on if she has a secured or unsecured arrangement with the grower.

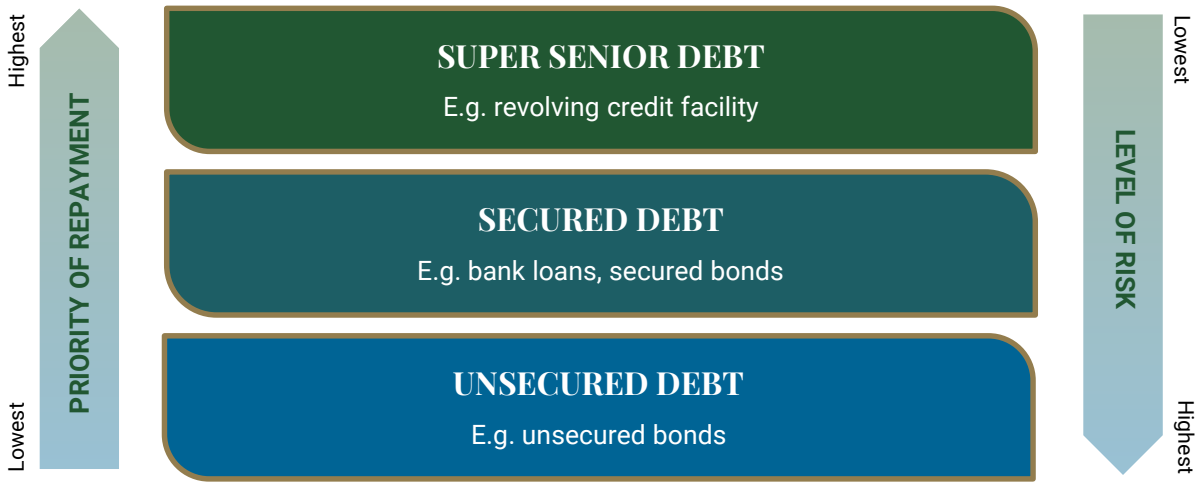
3. BONDS OR FIXED INTEREST - RISK

Bonds are a form of debt and not all bonds are equal. If you have invested in bonds in a company that goes out of business, you may not necessarily get your money back.

If there are funds available after a company goes out of business, whether you get your money back will depend on whether there are enough funds to pay out all of the outstanding debt. If not, how much you get back will depend on whether your debt is secured or unsecured.

Secured debt will give you more priority to funds than debt that isn't secured. Secured debt is where the borrower has put up some form of asset as securit when they received the debt funding.

This is why banks and government are considered safer bond investments.



Notes

4. PROPERTY

Property can relate to direct or indirect investments in physical property such as commercial buildings or residential housing.

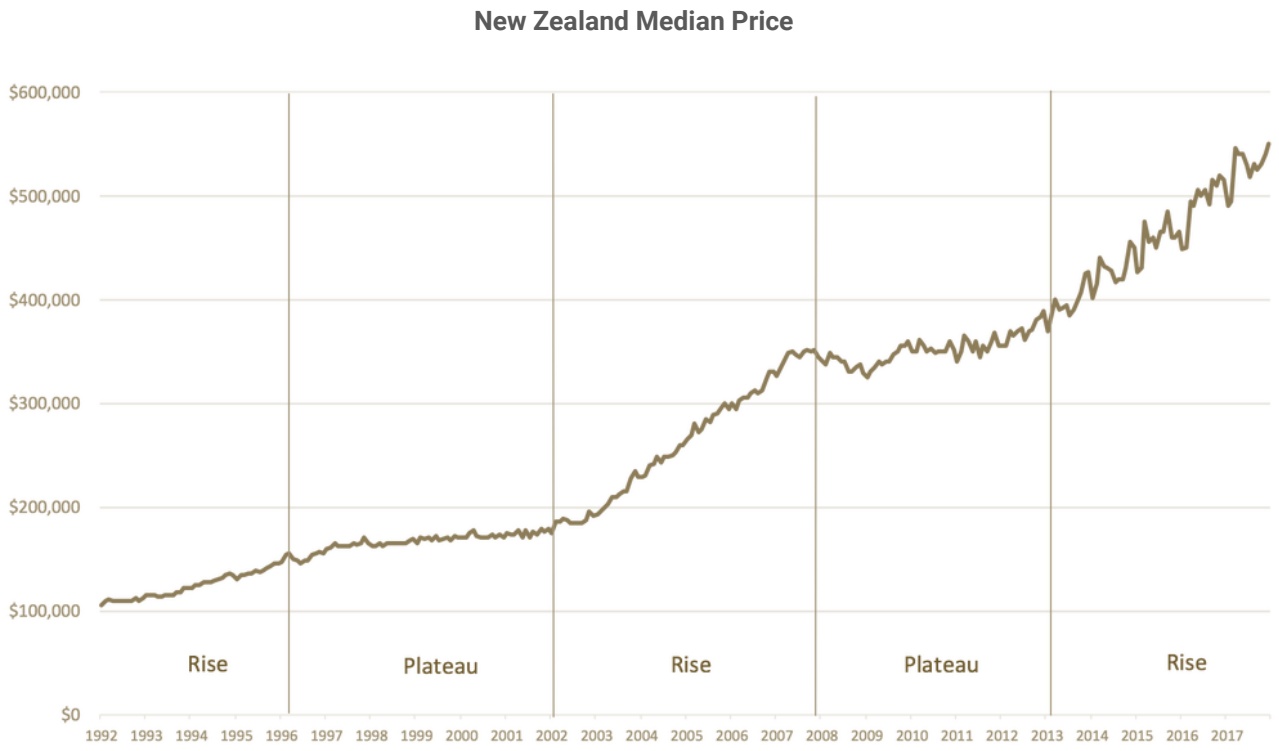
Direct investments refer to the purchase in your own name and/or that of you and other partners. Indirect investments refer to interests such as investments in property companies where you will be a shareholder.

Income from direct property is in the form of rental income after expenses and for indirect property it is the dividends from the shares in the property company. You can also get growth returns if the value of property (and/or related shares) were to rise over time.

Unlike term deposits and bonds, direct property investments are "illiquid" or can't easily be converted into cash within a short amount of time.

4a. Long Term Residential Property Trend

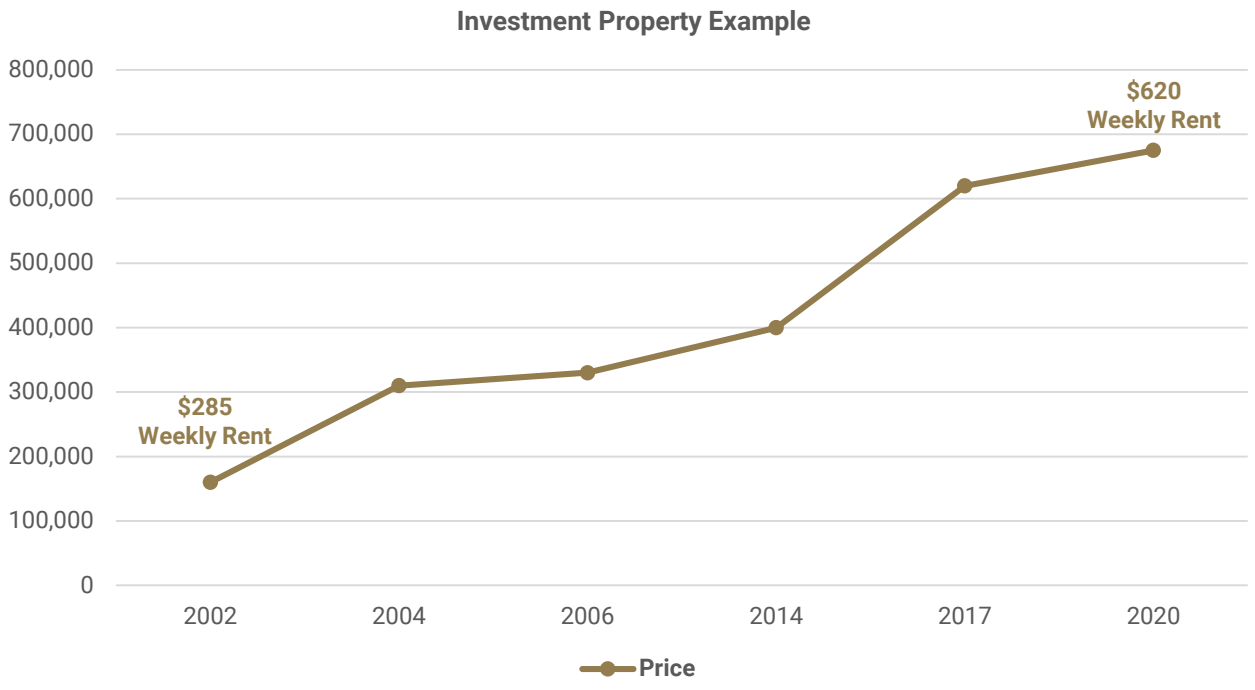
Residential properties have increased over the 25 years between 1992 and 2017.



Source : REINZ NZ Median Price

4b. Time and Property Investment Example

- In 2002 it cost $160,000 to buy a residential investment property.
- The rent at that time was $285 per week or $14,820 per year.
- In 2020 that same house will now cost about $675,000.
- It could now get $620 per week in rent or $32,240 per year.
- The gross income return if you bought in 2002 and still had it in 2020 would be 20% because the rental income has increased but the capital investment remains the same.
- Gross means that the total rental before taking into account expenses.
- The gross return if you buy in 2020 will be 4.8% and it is lower because the capital investment in 2020 is higher than in 2002 for the same property..
- So in this case, investing early has led to both growth in the value and increase in income.
- This is an example that demonstrates the potential of investment but careful due diligence is required prior to committing to any investment.



5. INCOME SHARES

Income shares are shares in companies that are often referred to as blue-chip companies – these are businesses that are listed on the stock exchange that are established, considered reasonably stable and have a good track record.

They tend to grow at a steady rate rather than have sharp ups and downs, are usually among the top performers in their industry and tend to pay regular dividends and they are large.

They have usually been around for a long time and have built up over many years.

In NZ they include infrastructure assets such as airports, power companies, telecommunications, large property trusts and retirement villages. They are better equipped to ride out harder times than others. Shares are purchased through a share broker unless you are a large institutional investor (e.g. bank).

6. GROWTH SHARES

A growth company is a company whose performance increases at a much faster pace than the rest of the economy.

It tends to reinvest most of its profits back into the business and therefore pays out no or low dividends while it is growing. One example of this is Xero (see below) whose share price has risen but it hasn't yet paid a dividend.

An investor's return will mostly come from the increase in value rather than any dividends.

Growth companies carry more risk than a blue-chip company as they are often less established and haven't yet built a stable market for their products or services.

Shares are purchased through a share broker unless you are a large institutional investor (e.g. bank)

7. DIRECT INVESTMENTS

Direct investments are where you invest directly in a privately owned operating business rather than through debt or equity to a bank, government or a company listed on the stock exchange.

Direct investments includes private equity and venture capital. This is usually the domain of large investors and high net worth individuals with experience.

Private equity is where the investor usually buys 100% of the shares or equity in a more mature company that is not listed on the stock exchange. This will be because the investor believes there is opportunity to improve the business performance and therefore increase its value.

. Venture capital is where investment is mostly in less mature companies such as start ups where they see high growth potential. Venture capital carries more risk and as a result investors tend to take a lower stake and have stakes in many different companies so that if one fails they still have others

If an investor is unfamiliar with direct investing and/or operating businesses in the industry that investment is being made in, the risks can be quite high. Direct investments can require a more "hands on" approach to directly governing the business than the other types of investments in listed companies or investments with banks and governments.

8. MARAE

The marae is an example of an asset that does not fit the financial investment rules where investment is done with the expectation of financial returns – whether income or growth – in the future.

However, marae is an example where financial investment is required to maintain the marae in good working order so that its condition does not deteriorate and so it can continue to cater for the people.

Therefore in making financial investment decisions and determining how much income and growth is required from financial investments, the future costs of capital projects and ongoing running and maintenance of the marae should be considered when determining the investment portfolio for a marae.

Risk vs Reward/Return

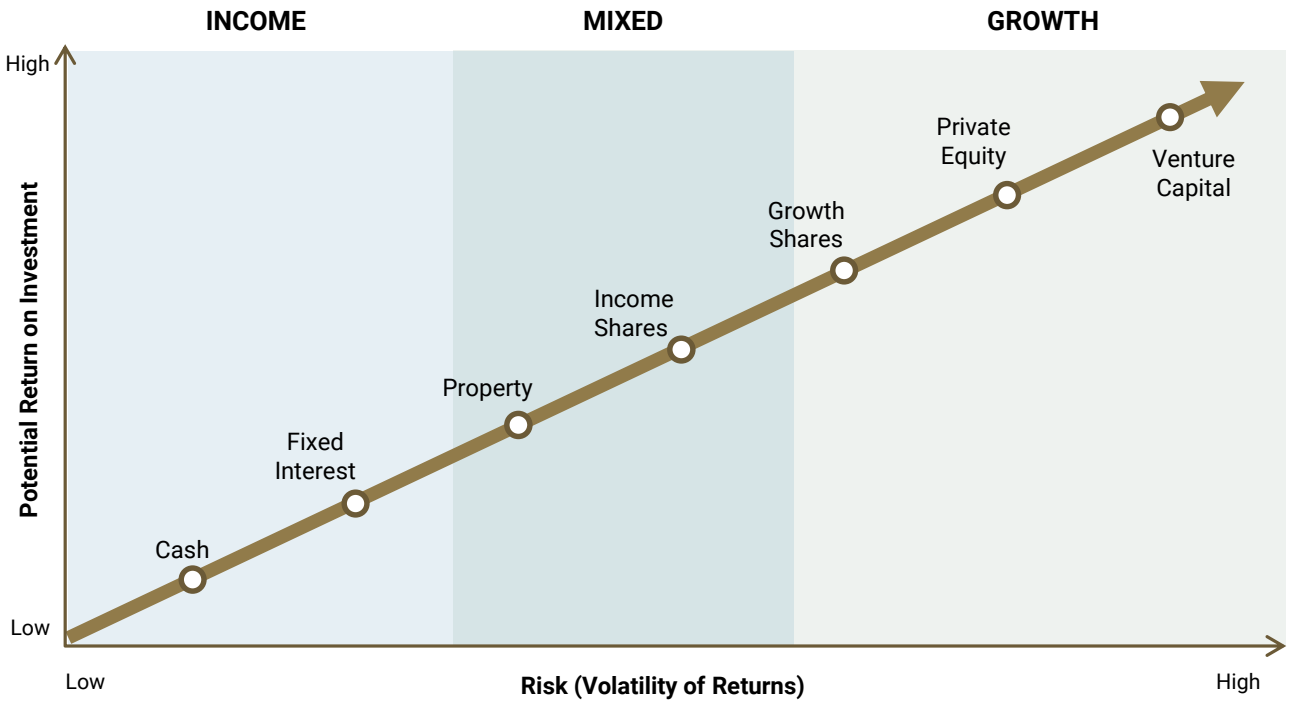
Each of the investment types we have talked about carry different levels of risk and reward (or return).

In summary the higher the risk (volatility), the higher the potential reward but also there is also a larger downside in the event that things didn't go as expected.

Another risk that is often forgotten when investors prefer safety of the lower risk options is the cost of forgoing the reward associated with another opportunity with higher risk. In low interest times this becomes more apparent as the returns for safer investments become insufficient to meet the long term aspirations of the marae.

As mentioned earlier there are income investments which tend to be lower risk and lower potential returns and growth investments that are higher risk with higher potential returns. But there are also mixed investments that might generate both income and growth such as certain property and shares.

The key here is to grow confidence by investing in your own knowledge first so that you can have better and more informed conversations with your advisors.



Diversification

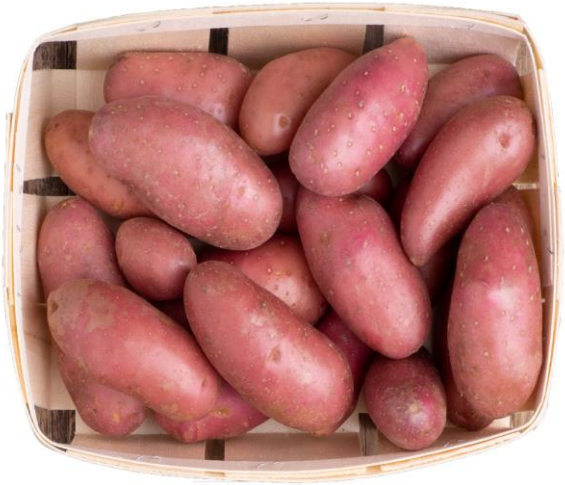
Related to the earlier portfolio concept is diversification. Diversification refers to spreading investments across different types of assets. This is done in order to manage and/or reduce risks, there are a number of options available.

If you have one single investment and it doesn't perform as expected or at worse fails, you will have lost 100% of your investment. If however you have multiple investments, if one investment fails you still have a range of other investments.

One way that many beginner investors will do this is through managed funds. This means that instead of choosing individual cash investments, bonds and shares, a fund manager does that for you based on how much risk you want to take. They do this by pooling your money with that of other investors and spreading it all across different kinds of investments. Like owning a share, each investor owns a part of the total managed fund.

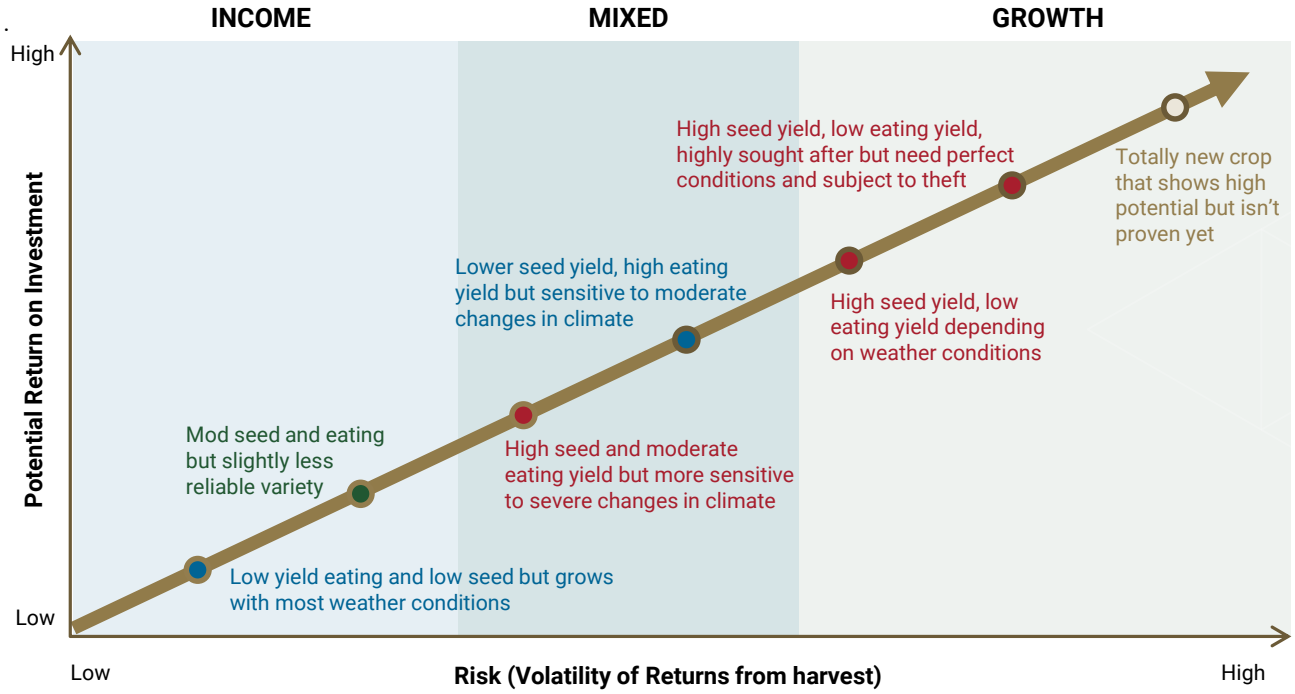
The different types of funds typically fall into defensive, conservative, balanced, growth or aggressive funds. At the defensive end there are more lower risk assets such as cash and bonds in your portfolio of investments and the balance progressively changes as you move toward aggressive where there are likely to be more higher risk shares.

It is important ensure that your returns from a managed fund are sufficiently higher than the level of fees.



Risk and Return - Hinetaewa

When we think about Hinetaewa, her risk will increase with different varieties. Some varieties are common and reliable and grow in many conditions which mean there is more supply in the market so she can only charge as much as her competitors. Other varieties might be harder to grow or require specific climate or conditions, and therefore there is a lower supply available but she can charge a higher price because they are highly sought after. To manage her risk, Hinetaewa would have a mixed portfolio.



Diversification for Hinetaewa

Hinetaewa could manage her risk in a number of ways:

- Ensure her portfolio has different types of varieties of potato.
- Invest with growers in different parts of the country where the weather suits different varieties of potato.
- Invest in different types of crops altogether.
- Work with researchers to identify the potential for new varieties that she doesn't already have.
- Work with a potato professional who understands the market for potatoes and can advise her which varieties she should try.
- Increase the number of growers she works with so she is not reliant on any single grower for her returns.
- If financial investment, she might want her portfolio to include a range of different industries/ sectors and a range of different companies within each industry/sector.

Notes

The Advisor Landscape

There are so many different types of business advisors that it can be confusing to understand what each does and doesn't do. The first place to seek investment advice would be a qualified financial advisor. Your accountant may be able to refer you to one. Further information on these is outlined below:

FINANCIAL ADVISORS

- Company or individual licenced to provide advice on financial planning, insurance, **investing** and other financial service.
- Either charge you a fee for service or they will be paid by the company whose products you invest in.
- Regulated by Financial Markets Authority (FMA).

ACCOUNTANTS

- Provide advice on improving your **business** performance and also prepare financial accounts and tax returns.
- Will charge a fee for service.
- Regulated by professional bodies if they are a Chartered Accountant (CA) or Certified Public Accountant (CPA).

SHAREBROKERS OR STOCKBROKERS

- Company licensed to give investors access to the stock exchange by acting as a **broker**.
- You will pay a brokerage fee for the transaction.
- Regulated by Financial Markets Authority (FMA).

FUND MANAGERS

- Undertake research to choose best bonds and stocks to include based on their strategy.
- You will pay a fee based on the total value of assets you have invested and this will be deducted from your investment returns.
- Regulated by Financial Markets Authority (FMA).

Notes

Comparing Performance

Although you will seek professional investment advice when making your investment decisions, its also important to grow your own knowledge so that you can ask good questions of your advisor. One part of growing your knowledge early on is to have a look at the performance of different fund managers. When comparing the performance of one fund against another, it is important to ensure that you are comparing apples with apples. There is little value in comparing a fund for a high risk investor in an aggressive fund with the performance of a defensive fund for investors who prefer a lower level of risk.

Unfortunately different companies who undertake performance ratings apply their own interpretations to how they categorise a fund meaning that one fund can have more than one risk description by different companies. There are complex reasons for this.

Having said that, if you are interested in understanding a comparison across all types, the extract below is from a Morningstar tool that has looked to see who had the largest returns across NZ Investment Trusts across a 5 year period, regardless of the type of fund.

The graphic on page 39 is from a Morningstar Kiwisaver report which has classified different funds within the Balanced category. The numbers highlighted in green and blue show funds that were rated top across each of the time periods.

Overview | Performance | Fees & Expenses | Prices & Distribution | Category Ranking | Operation

1-20 of 276 Show 20 Rows

Name	Date	6 Month	1 Year	3 Year	5 Year	10 Year
Milford Trans-Tasman Equity	2020-08-31	7.42	11.60	14.25	14.82	14.41
T.Rowe Price Global Equity Growth	2020-08-31	18.53	26.93	19.32	14.26	
Fisher Funds Premium International Fund	2020-08-31	16.47	20.67	17.23	13.27	10.46
Fisher Funds International Growth Fund	2020-08-31	16.45	20.45	16.88	13.06	10.08
Fidelity Life NZ Shares Portfolio	2020-08-31	6.01	9.91	11.45	12.25	10.10
Fisher TWO KiwiSaver Scheme-Eq	2020-08-31	11.31	14.89	13.07	12.20	11.06
Booster KiwiSaver Trans-Tasman Share	2020-08-31	4.58	6.44	11.53	12.02	6.67
Booster KiwiSaver Geared Growth	2020-08-31	10.34	14.17	12.90	12.01	10.35
Fidelity Life Super-Super NZ Share	2020-08-31	4.38	5.90	11.05	11.80	9.88
Fisher Funds Premium Australian Fund	2020-08-31	8.05	10.86	13.38	11.62	8.44
Fisher Funds Australian Growth Fund	2020-08-31	7.99	10.63	13.17	11.45	8.21
Booster KiwiSaver Socially Rsp Inv Gr	2020-08-31	12.33	17.99	13.13	11.34	9.46
OneAnswer KiwiSaver-Sustainable Int Shr	2020-08-31	18.73	26.41	18.12	11.27	11.27

Source: https://www.morningstar.com.au/Tools/NewFundScreener

Morningstar KiwiSaver Report: 30 June 2020

Multi Sector Options (continued)

		Assets	Total Returns % p.a								Dollar Based Member Fees.	Asset Based Fees	NZ Domiciled Assets	Growth Assets
		NZ$M	1-year		3-year		5-Year		10-Year		$/year	%	%	%
Balanced	AMP Responsible Inv Bal	14.3	-0.2	(28)	4.6	(26)	--		--		23.40	1.36	33.4	63.3
	AMP Global Multi-Asset	12.5	-1.7	(29)	1.3	(29)	--		--		23.40	1.62	22.5	43.0
	AMP Income Generator	4.7	1.9	(23)	5.5	(21)	--		--		23.40	1.13	51.7	51.2
	AMP ASB Balanced	27.2	2.1	(22)	6.0	(18)	--		--		23.40	1.10	35.3	60.6
	AMP LS Balanced	973.3	1.2	(26)	5.5	(22)	5.3	(21)	7.0	(17)	23.40	1.06	38.2	58.4
	AMP LS Moderate Balanced	728.3	1.5	(25)	5.1	(25)	4.9	(22)	6.3	(19)	23.40	1.08	44.4	48.4
	AMP Mercer Balanced	51.1	1.8	(24)	5.3	(24)	5.9	(16)	7.1	(16)	23.40	1.32	44.2	56.2
	ANZ Default Balanced	178.0	3.7	(17)	6.1	(17)	5.9	(17)	8.0	(10)	24.00	0.95	28.5	54.1
	ANZ Balanced	2589.7	3.7	(16)	6.1	(16)	5.9	(15)	8.3	(9)	24.00	0.96	28.5	54.1
	Aon ANZ Balanced	33.0	3.1	(18)	5.8	(19)	6.0	(14)	8.4	(6)	49.80	1.39	32.6	64.2
	Aon Russell Lifepoints 2025	22.8	5.0	(9)	6.1	(15)	6.3	(11)	8.4	(7)	49.80	1.08	24.6	33.4
	Aon Russell Lifepoints 2035	23.9	4.5	(11)	6.9	(9)	7.1	(6)	9.4	**(2)**	49.80	1.15	26.4	53.6
	Aon Russell Lifepoints Balanced	196.0	4.2	(12)	7.1	(8)	7.2	**(5)**	9.3	**(3)**	49.80	1.16	27.8	61.5
	ASB Balanced	2033.5	3.0	(19)	6.9	(10)	7.1	(7)	8.6	**(4)**	30.00	0.62	35.3	60.6
	BNZ Balanced	504.3	6.3	**(4)**	7.3	(6)	7.3	**(4)**	--		###	0.58	32.1	55.7
	Booster Balanced	538.0	5.5	(7)	7.2	(7)	6.5	(10)	6.9	(18)	36.00	1.24	38.5	56.4
	Booster SRI Balanced	85.4	8.8	**(1)**	8.6	**(1)**	7.3	**(3)**	--		36.00	1.25	36.3	55.9
	Fisher TWO Balanced	922.6	6.0	**(5)**	7.8	**(4)**	7.4	**(2)**	8.0	(11)	28.44	0.97	44.2	56.2
	JUNO Balanced	27.0	8.7	**(2)**	--		--		--		$0-$600	--	56.1	40.9
	Kiwi Wealth Balanced	1766.5	5.9	(6)	6.9	(11)	5.4	(20)	7.8	(13)	#	1.05	22.0	59.2
	Mercer Balanced*	432.9	2.6	(20)	5.6	(20)	6.1	(12)	7.8	(14)	27.00	0.79	32.3	55.2
	Milford Balanced	410.6	4.7	(10)	7.7	**(5)**	8.0	**(1)**	10.4	**(1)**	36.00	1.28	27.2	60.7
	NZ Defence Force Balanced*	62.5	2.4	(21)	5.4	(23)	--		--		30.00	1.00	32.3	55.2
	OneAnswer Balanced	599.3	3.7	(15)	6.1	(14)	6.0	(13)	8.3	(8)	24.00	0.94	28.5	54.1
	Simplicity Balanced	214.3	7.2	**(3)**	8.2	**(2)**	--		--		20.00	0.31	33.3	56.0
	Summer Balanced Selection	99.6	5.1	(8)	8.1	**(3)**	--		--		36.00	0.90	56.2	48.5
	SuperLife Balanced	43.4	0.3	(27)	4.4	(27)	5.9	(18)	7.7	(15)	30.00	0.60	34.1	58.5
	SuperLife Ethica	38.1	4.0	(14)	6.2	(13)	6.5	(9)	7.8	(12)	30.00	0.70	24.1	59.5
	SuperLife Growth	23.0	-2.1	(30)	4.1	(28)	5.8	(19)	--		30.00	0.61	28.4	77.9
	Westpac Balanced	1646.5	4.1	(13)	6.8	(12)	6.7	(8)	8.4	**(5)**	27.00	0.84	39.9	57.1
Average			3.6		6.2		6.4		8.1		28.44**	1.00	34.6	55.6
Morningstar NZ Multi Sector Balanced Index			5.0		8.2		7.0		8.4					

Source: https://www.morningstar.com.au

MORNINGSTAR®

Growing Knowledge

There are many different free resources that are accessible to help you grow your knowledge in this area:

Sorted NZ	www.sorted.org.nz
Money Hub	www.moneyhub.co.nz
Interest.co.nz	www.interest.co.nz
Morningstar	www.morningstar.com.au

The following tools are also useful:

Sorted NZ	https://smartinvestor.sorted.org.nz/kiwisaver-and-managed-funds/
Morningstar	https://www.morningstar.com.au/Tools/NewFundScreener

Notes

Next Steps

1 **Seek advice from a qualified financial advisor**

2 **Ask them to help you set your investor objectives**

- What is the time period you are investing for?
- How much risk can you cope with?
- How much income do you need and how much growth?
- How accessible do you need your capital to be?
- What are your other objectives?

3 **Ask them to build your risk profile and investment portfolio**

4 **Learn about your portfolio and the companies in it**

5 **Ask them to monitor your portfolio with you so you can learn as you go**

Hinetaewa

The 20 Year Story

Hinetaewa stayed in her job for 8 more years until she was 30. Up until then she grew the seed collection by lending parts of the collection to other growers who would repay her original "potato capital" each year with eating potatoes for her whānau to eat and further seed to add to the collection.

Each of the varieties she had been left had different risks and so she spread her risk by lending out all six varieties. There were some years where the conditions including the climate didn't produce good yields but she knew that was just a part of the cycle as she had seen that happen with her grandparents. She knew if she thought long term it would all even out.

To manage her risk she used different growers for different varieties and over time figured our which growers were able to get higher yields of both eating potatoes and seeds and built longer term working relationships with them.

Eventually she ended up investing in one of the growers and took a 50% equity share in his business. Her business partner did most of the work while she was still working but she started developing research relationships to look into one of the varieties that her koro left her. It turned out the variety had special dying properties and had a much higher financial value than they were receiving when selling the variety for eating.

At 30 she joined her business partner more actively in the business and built it to have three key parts:

1. The dye production business.
2. Growing business.
3. Value added processing business.

She ended up getting out of the lower risk potato lending business as she learned more and become more comfortable with other risk. This enabled her to start employing whānau where the whānau roles were managing and growing the business as a lot of the growing and value add roles had become automated.

During this time she was also responsible for growing the whānau assets and did this on a more passive basis using external property managers to manage the properties and find new ones for investment and put all of the cash and managed funds together. That gave her comfort that she had reduced the whānau risk by having the assets managed by people who knew what they were doing.

As the next generation grew up, they were able to use the equity in the whānau trust to buy their first homes and then repaid the trust as the value of their homes increased.

Summary

We have covered off:

Key investment concepts such as capital, risk and return, debt and equity, income and growth, time value of money and compounding interest along with capital and portfolio.

Types of investment from lower risk term deposits and bonds through to medium risk which includes property and income and growth shares that are listed on the stock exchange. Finally direct investments that are not listed on the stock exchange such as private equity and venture capital were discussed.

The risk and return trade-off for each of those investments including how to use diversification to reduce risk by not having all eggs in one basket.

The different types of advisors that you might use when investing depending on if you are investing or operating a business.

Tools and resources to help you grow your knowledge and compare the performance of managed funds including Kiwisaver which is a managed fund that many will be familiar with.

Next steps to take and Hinetaewa's 20 year story.

Notes

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