

## Model Portfolio Performance vs. Peers

Period ended 30 September 2021

We compare our investment performance against a wide range of similar KiwiSaver funds over one, five and ten year periods.

All returns are after fund management costs but before adviser and platform costs and before tax. Your returns may differ from the returns we use due to the timing of your cash flows. We look at the return of \$1 invested over the exact time period we are studying.

We have reviewed and compared our two separate portfolio themes:

1. Our traditional risk-factor portfolios
2. Our Socially Responsible Portfolios (SRI)

## General observations and assumptions

- ▶ The peer group we have chosen comprises KiwiSaver funds > NZD 50 million, representing a total of NZD 95 billion investments under management (as at 30 Nov 2021) or 98% of the overall KiwiSaver market
- ▶ The weighted average mix across all KiwiSaver risk levels is 49% growth investments 51% income investments (slight decrease in risk since last year)
- ▶ The weighted average cash holding within KiwiSaver is very high at 15% compared to our portfolios at 2%.

## Traditional Risk-Factor Portfolios

### 1-year performance comparison:

- ▶ Over the 12 months to the end September, all phwealth portfolios outperformed the risk-adjusted peer group averages.
- ▶ New Zealand shares were one of the weaker share sectors, while our portfolios held close to market average weight, the strategy within the sector was positive and contributed positively to all portfolios.
- ▶ Our aggressive portfolios were overweight Australian shares, combined with positive risk premia within the sector led to outperformance over the one-year period.
- ▶ Our fund selection within international shares was a positive attribute, with positive risk premia over the one-year period leading to significant outperformance within this sector. **There was a good contribution from the small and value company tilts we employ during this period.**
- ▶ A zero allocation to direct property shares was positive domestically for us.
- ▶ An overweight to the underperforming international fixed interest sector generated underperformance for us.
- ▶ A relative underweight in cash was also a positive for us, with peers being impacted by a sizable cash drag.

		60/40	70/30	80/20	90/10	98/2
1-year (Oct-20 to Sep-21)	<b>Our Portfolios</b>	+17.7%	+21.3%	+25.1%	+28.9%	+32.0%
	<b>Peer average</b>	+11.7%	+15.3%	+17.9%	+18.4%	+19.7%
	<b>Out-Performance</b>	<b>+6.1%</b>	<b>+6.1%</b>	<b>+7.2%</b>	<b>+10.5%</b>	<b>+12.3%</b>

## 5- and 10-year periods

- ▶ Portfolios are a lot closer to the peer group average over 5 and 10 years, remaining positive in the majority of portfolios.
- ▶ Over longer periods our New Zealand share allocations have generally been slightly underweight. This has had a small negative impact with domestic shares enjoying a strong decade, fund selection has also contributed negatively.
- ▶ Fund selection in international shares has been a detractor due to negative risk premia over these longer periods (**small and value companies have under-performed large and growth companies**) and this is the key reason why our 5- and 10-year performance has been below par.
- ▶ Unlike the one-year analysis, fund selection in international fixed interest contributed positively with yield compression over the last decade delivering strong positive term premia, however a relative overweight to the sector contributed negatively.
- ▶ Taking exposure to international fixed interest instead of cash was again a strong positive for us, with peers being impacted by a sizable cash drag.

		60/40	70/30	80/20	90/10	98/2
5-years (Oct-16 to Sep-21)	<b>Our Portfolios</b>	+8.4%	+9.3%	+10.1%	+10.9%	+11.5%
	<b>Peer average</b>	+8.1%	+9.7%	+10.6%	+10.7%	+11.5%
	<b>Out-Performance</b>	+0.3%	-0.4%	-0.5%	+0.2%	+0.0%

		60/40	70/30	80/20	90/10	98/2
10-years (Oct-11 to Sep-21)	<b>Our Portfolios</b>	+9.2%	+10.0%	+10.8%	+11.5%	+12.1%
	<b>Peer average</b>	+9.0%	+10.5%	+11.6%	+11.4%	+10.9%
	<b>Out-Performance</b>	+0.2%	-0.5%	-0.9%	+0.0%	+1.2%

### Notes and assumptions:

- Peer group defined as portfolio allocation growth asset +/-10%, with minimum investments under management of NZD 50 million.
- Peer allocation is the asset weighted average across the entire peer group, as at report date.
- Peer asset class returns are assumed, in aggregate, to equal to the index return.
- Peer group data source is KiwiSaver funds on Morningstar.
- KiwiSaver funds asset allocations are as at 30/09/2021.
- Only funds with at least NZD 50 million in investments under management as at report date are included in peer group.
- Peers must have existed for a complete analysis period to be included in the peer group average return calculation.
- Growth investments refer to investments in shares and property.
- All returns are in New Zealand dollars.
- All returns are net of underlying management fees, but gross of custodial and adviser monitoring fees and tax.
- Returns are annualised for time periods greater than one year.
- Past returns do not guarantee future performance.

- All investments should be made with consideration of the investor's underlying circumstances.

## SRI Portfolios

### 1-year performance:

- ▶ Over the 12 months to the end September, all SRI portfolios outperformed the risk-adjusted peer group averages.
- ▶ New Zealand shares were one of the weaker share investment sectors, and our portfolios held close to market average weights
- ▶ Our aggressive portfolios were overweight Australian shares which was positive, the underlying funds were strong and contributed to further positive relative performance.
- ▶ Our portfolios held a close to average weight in international shares which were the strongest performing sector, with positive risk premia over the one-year period leading to significant outperformance within this asset class.
- ▶ A zero allocation to direct property investment sector was positive domestically.
- ▶ An overweight to the underperforming international fixed interest investment sector generated underperformance
- ▶ A relative underweight in cash was a positive, with peers being impacted by a sizable cash drag.

		60/40	70/30	80/20	90/10	98/2
1-year (Oct-20 to	<b>Our Portfolios</b>	+14.8%	+17.7%	+20.7%	+23.8%	+26.3%
	<b>Peer average</b>	+11.7%	+15.3%	+17.9%	+18.4%	+19.7%
Sep-21)	<b>Out Performance</b>	<b>+3.1%</b>	<b>+2.4%</b>	<b>+2.7%</b>	<b>+5.4%</b>	<b>+6.5%</b>

### 5- and 10-year periods

- ▶ Portfolios also outperformed over 5 and 10 years.
- ▶ Over longer periods, the overweight to New Zealand shares has been positive.
- ▶ Fund selection in Australian shares and international shares has been positive due to the absence of emerging markets up until 2021.

- ▶ Unlike the one-year analysis, fund outperformance in international fixed interest generated portfolio outperformance with yield compression over the last decade delivering strongly positive term premia.
- ▶ Taking exposure to international fixed interest instead of cash was again a strong positive, with peers being impacted by a sizable cash drag.

		60/40	70/30	80/20	90/10	98/2
<b>5-years</b> (Oct-16 to Sep-21)	<b>Our Portfolios</b>	+10.2%	+11.3%	+12.5%	+13.6%	+14.4%
	<b>Peer average</b>	+8.1%	+9.7%	+10.6%	+10.7%	+11.5%
	<b>Out Performance</b>	<b>+2.1%</b>	<b>+1.6%</b>	<b>+1.8%</b>	<b>+2.9%</b>	<b>+3.0%</b>

		60/40	70/30	80/20	90/10	98/2
<b>10-years</b> (Oct-11 to Sep-21)	<b>Our Portfolios</b>	+10.8%	+11.8%	+12.7%	+13.6%	+14.2%
	<b>Peer average</b>	+9.0%	+10.5%	+11.6%	+11.4%	+10.9%
	<b>Out Performance</b>	<b>+1.8%</b>	<b>+1.3%</b>	<b>+1.0%</b>	<b>+2.1%</b>	<b>+3.3%</b>

**Notes and assumptions:**

- Peer group defined as portfolio allocation growth asset +/-10%, with minimum investments under management of NZD 50 million.
- Peer allocation is the asset weighted average across the entire peer group, as at report date.
- Peer asset class returns are assumed, in aggregate, to equal to the index return.
- Peer group data source is KiwiSaver funds on Morningstar.
- KiwiSaver funds asset allocations are as at 30/09/2021.
- Only funds with at least NZD 50 million in investments under management as at report date are included in peer group.
- Peers must have existed for a complete analysis period to be included in the peer group average return calculation.
- Growth investments refer to investments in equities and property.
- All returns are in New Zealand dollars.
- All returns are net of underlying management fees, but gross of custodial and adviser monitoring fees and tax.
- Returns are annualised for time periods greater than one year.
- Past returns do not guarantee future performance.
- All investments should be made with consideration of the investor's underlying circumstances.