

## When it's better not to work hard

by Mary Holm

A super scheme provider received an angry letter from a member. "How come my account did so badly last year?" he asked. "My mate's in the same scheme. His money grew, but mine went down 5%."

Puzzled, the provider looked at the man's account. He had been busy. At the end of each month, he had looked at which of the provider's funds had performed best during that month and moved his money into that fund. If he had left his money in his original fund, his return that year would have been 9.2%. Why did he do so badly?

Often in life, past success is a good guide to future success. The winner of the last race is a pretty good bet to do well in this race. Your favourite band or movie director or author is likely to please you with their next offering. Not so in investing. The type of investment that did really well last year has a pretty good chance of performing poorly this year. The country whose share market soared last year is quite likely to see a drop this year. The fund manager that topped the list last year may well come near the bottom this time around.

This isn't always true. Our table (below) shows that sometimes an investment has a good run for several years. But it's also not uncommon for one year's top performer to come bottom the next year or the year after.

[Read more](#)



### Sometimes the worst performer in a year can be the best performer the next

	Cash %	New Zealand bonds %	Overseas bonds %	Commercial property %	New Zealand shares %	Overseas shares %
2005	7	7	9	20	11	16
2006	8	4	6	25	22	16
2007	9	4	9	-4	3	0
2008	9	16	15	-21	-32	-22
2009	3	2	4	12	21	4
2010	3	7	2	3	4	7
2011	3	13	8	11	-1	-14
2012	3	5	7	21	27	10
2013	3	-2	3	4	18	27
2014	3	8	12	24	19	11
2015	3	5	5	14	15	13
2016	3	3	6	3	10	6
2017	2	5	3	13	24	20
2018	2	5	7	31	32	27
2019	2	5	3	10	6	-3

■ Worst-performing asset class
 ■ Best-performing asset class

© Mary Holm, 2020

## Switches aren't instant

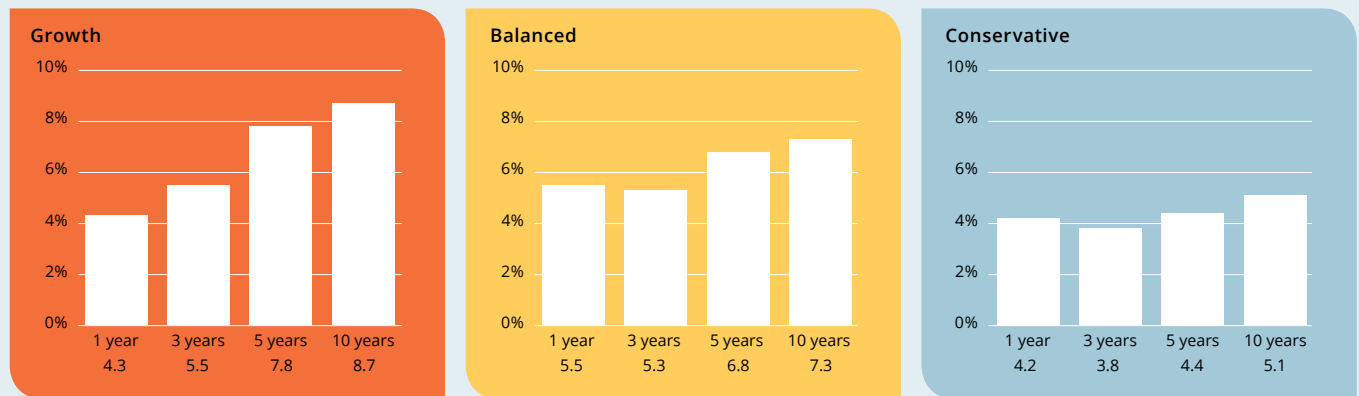
A couple of things to keep in mind if you do decide to change funds:

- The process takes a few business days. The change doesn't happen automatically when you hit 'submit'. The unit price that applies is the one that's current on the day your request is processed – not the day you submit your request.
- The first switch each calendar year is free. Subsequent switches incur a \$50 fee.

## 2020 returns positive despite impact of COVID-19

COVID-19 dominated the investment story over the past year (see Russell Investments' commentary below). Nevertheless, all our investment options performed reasonably well. The following table shows the returns for our three main funds over the past year together with the average returns over 3, 5 and 10 years. Cash returned 0.78% (after tax at 28% and fees) for the year to 31 December 2020.

**UniSaver investment returns** Periods ended 31 December 2020 (after tax at 28% and fees)



## 2020 investment commentary

by Russell Investments, UniSaver's investment manager and consultant

### COVID-19 pandemic upends global economy, but markets recover to end up on the year

The COVID-19 pandemic that swept across the globe has shocked economies around the world and resulted in the deepest and sharpest global recession since the Second World War. After lurching in and out of lockdowns of their populations, governments in many countries have been unable to contain the spread of the virus, which has proved to have devastating health and economic consequences. With 100 million identified cases and 2 million deaths at the time of writing, the health emergency continues to spiral out of control in many countries. However, the beginning of 2021 marked the first large-scale vaccination programmes, which will hopefully soon start to slow the spread of the virus and allow economies to begin to function more normally. [Read more](#)

## Unit pricing error

Late last year, we identified that a tax provisioning error had occurred that impacted the daily unit prices calculated for the Conservative, Balanced and Growth investment options for the period 8 July to 4 November 2020. In effect, the unit prices were struck without allowing enough for tax. This was corrected at the time the unit prices for 5 November 2020 were calculated. The Cash investment option was not impacted by this error. Therefore, as a result, the monthly investment returns for the Conservative, Balanced and Growth investment options had to be updated. These updated investment returns are shown on the [website](#). The scheme administrator has completed a comprehensive review of all transactions made by members during the period of the error and has taken the steps necessary to ensure that members' unit holdings and account balances are correct.

## Expect your annual account statement in early March

We will email you when your 2020 annual account statement is available to view online.

This document sets out your account balances, contributions made and allocated return. We will also include an estimate of your income in retirement to help you work out if your savings are on track to meet your expectations. Our Personal Retirement Planner is a great place to start if you want to do some more-detailed retirement income planning. You can access the retirement planner or check your balance at any time by [signing in to your account](#).

## Time to choose your representatives on the Board

UniSaver members have direct representation on the Board of UniSaver Limited, the scheme's manager and trustee. We call for nominations every 3 years for two member-elected directors. An election is held if we receive more than two nominations. If you have a desire and believe you have the skills required to contribute to the running of the scheme at the Board level, please consider putting your name forward. Each nominee must be endorsed by seven scheme members. Nominations close on Monday 17 May. The current member-elected trustees are Carolyn Dimond, Chief Financial Officer of Massey University, and Michael McAlpine, Senior Manager Strategic Finance at University of Otago.

Download a [nomination form](#)

Got a  
question?

Visit our website [unisaver.co.nz](http://unisaver.co.nz)  
or call our helpline team on **0800 864 724**  
The helpline hours are 9am to 7pm,  
Monday to Friday (except public holidays).

**UNISAVER**  
NEW ZEALAND