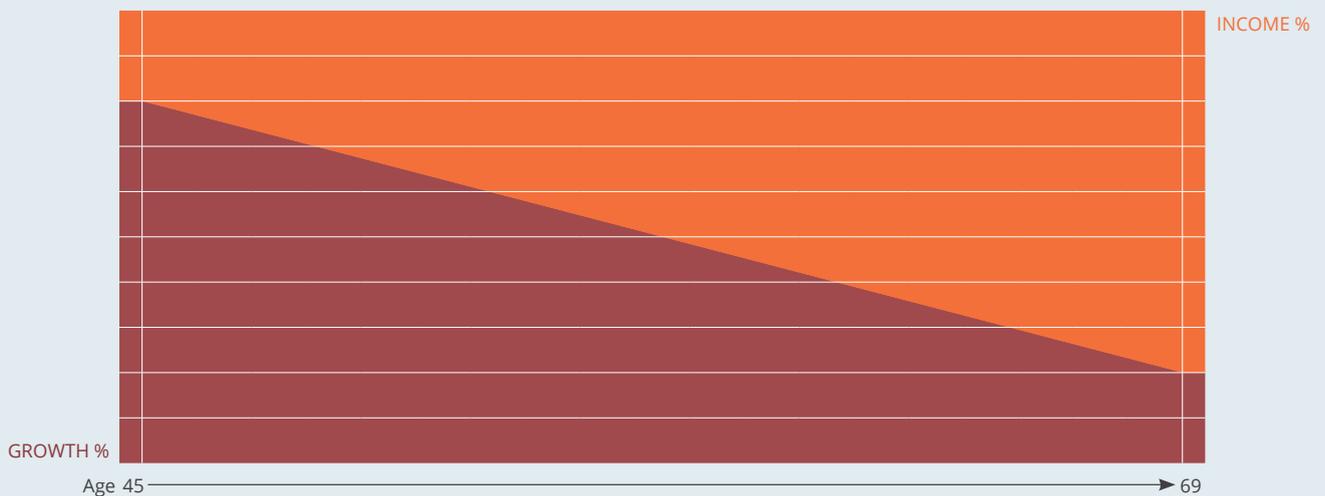




New 'set and forget' investment option

We're introducing a fifth investment option called UniSteps on 1 November. It works a little differently from our current four options, each of which has a distinct risk/return profile. At the moment, it's up to you to review your investment choice from time to time and change it if you need to. In most cases, we'd expect to see members shifting their savings to a more conservative mix of investments as they get closer to retirement (lower risk/lower return). UniSteps is a 'set and forget' option that does this for you. With UniSteps, the mix of growth and income assets changes automatically as you get older. Up until age 45, your savings are invested in approximately 80% growth assets. From then, the percentage of growth assets is reduced gradually so that you're invested in approximately 20% growth assets from age 69. Here's how it works.



UniSteps uses three of the investment options (see next page) – Growth, Balanced and Conservative – to transition your savings from investment in growth to income assets over time. The investment mix changes on 1 November each year, not on your birthday or the anniversary of the date you joined UniSaver.

Remember, this is a new and additional option – one designed to make sure our offering to members is best practice. You can still invest in one or a mix of the current four options as you do now. With these, you can choose a different strategy for your existing balances and for future contributions. That's not an option with UniSteps, nor can you choose to allocate some of your savings to UniSteps and some to the other options.

You can switch to UniSteps any time from 1 November. From that date, there'll be a new *Change of investment* form on the website, or you can switch by signing in to your member account and making the change online. As with any investment change you make, it won't take effect until the 1st of the following month.



Changes to our investment strategy

We've decided to introduce two new asset classes to the portfolio: global listed infrastructure and global high-yield debt. We believe that allocations to these new asset classes, although small compared to some others, will help to further diversify the portfolio and improve the risk and return relationship of Conservative, Balanced and Growth. For example, it is expected that the revised investment strategy should help to improve outcomes for members in scenarios of high inflation or prolonged periods of positive but very low equity market returns. We have also decided to increase the strategic currency hedging for global equities from 50% to 100% in line with the recommendation of our investment manager.

It is important to note that, despite these changes, the overall growth and income allocations of the different funds are largely unchanged. As an example, the allocation to income assets in the Conservative fund has changed by only 1%.

The graphs below show the new benchmark asset allocations from 1 November.

Growth

Growth has the potential to provide the highest returns of the four options over the long term and the greatest fluctuations from year to year. Your benefit may reduce in some years and have strong growth in other years.



| Growth assets | | 77.5% |
|---------------------------------------|--|--------------|
| Global listed property (hedged) | | 4.5% |
| Global listed infrastructure (hedged) | | 6.5% |
| Global shares (hedged) | | 51.5% |
| Australasian shares | | 15% |
| Income assets | | 22.5% |
| New Zealand cash | | 2% |
| Global fixed interest (hedged) | | 14% |
| Global high yield (hedged) | | 6.5% |

Balanced

Expect lower long-term returns than Growth and higher returns than Conservative. It is still possible your superannuation could reduce in value in any given year and produce strong growth in others. You would expect the ups and downs to be less pronounced than for Growth.



| Growth assets | | 53% |
|---------------------------------------|--|------------|
| Global listed property (hedged) | | 3% |
| Global listed infrastructure (hedged) | | 4.5% |
| Global shares (hedged) | | 35% |
| Australasian shares | | 10.5% |
| Income assets | | 47% |
| New Zealand cash | | 2% |
| Global fixed interest (hedged) | | 40.5% |
| Global high yield (hedged) | | 4.5% |

Conservative

Conservative aims to provide stable and positive returns. However, it is still possible it could produce an occasional negative return.



| Growth assets | | 19% |
|---------------------------------------|--|------------|
| Global listed property (hedged) | | 1% |
| Global listed infrastructure (hedged) | | 2% |
| Global shares (hedged) | | 13% |
| Australasian shares | | 3% |
| Income assets | | 81% |
| New Zealand cash | | 34% |
| Global fixed interest (hedged) | | 45% |
| Global high yield (hedged) | | 2% |

Cash

Cash invests fully in New Zealand cash (predominantly short-term securities issued by banks and other corporates in New Zealand). There is a very small probability of experiencing a loss in any one year.



| Growth assets | | 0% |
|----------------------|--|-------------|
| Income assets | | 100% |
| New Zealand cash | | 100% |

We've reworded the description of risk associated with Cash to note that there is a very small probability of experiencing a loss in any one year. Such losses could arise from a default of a security held in the portfolio or deposit rates being negative, as we have seen recently in some parts of the world. It's worth noting that 'cash' is broader than just money on call with banks. Our cash investments are predominantly short-term securities issued by banks and other corporates in New Zealand.

We're in the process of updating our *Statement of Investment Policy and Objectives* (SIPO) to reflect these changes and the introduction of UniSteps. The new SIPO will be available on the website and at www.companiesoffice.govt.nz/disclose on 1 November.

● Tobacco and nuclear weapons exclusions



Companies that manufacture tobacco products or nuclear weapons have been excluded from our investment portfolio. This follows a decision earlier this year by our investment manager, Russell Investments, to exclude these types of investments from its global fixed interest (bonds) and equities (shares) portfolios. These portfolios account for around two-thirds of UniSaver's assets, but it effectively means tobacco and nuclear weapons investments are excluded from the entire exposure. The exclusion, for example, doesn't extend to Australasian shares, which are managed by third-party managers. However, there are no tobacco companies or nuclear weapons manufacturers listed in New Zealand or Australia, so this isn't an issue. The two new exclusions are in addition to the existing exclusions relating to companies producing anti-personnel mines and cluster munitions.

● Ian Russon takes over as licensed independent trustee

All super schemes are required to have a designated licensed independent trustee (LIT) – someone with specific governance skills relating to financial services responsible for monitoring the scheme and reporting to the Financial Markets Authority on certain matters. At the moment, Malcolm Johnson is both Chair of UniSaver Limited and the scheme's designated LIT. Earlier this year, Ian Russon joined UniSaver Limited as a director, which means we now have a second LIT. As part of good governance, we've made the decision to separate the roles of Chair and LIT. From 1 November, Ian will take over as UniSaver's designated LIT. Malcolm will remain as Chair.

● Updated product disclosure statement

All issuers of investment products are required to produce a product disclosure statement and other documents explaining the investment to make it easier for investors to compare investments. You'll find ours on the website and at www.companiesoffice.govt.nz/disclose. We'll update this material on 1 November to reflect the changes outlined in this newsletter.

● Benefit payments over the holidays

The holiday season might seem light years away, but it will roll around soon enough. So, a heads up if you're planning to withdraw money towards the end of the year. The last payment date for benefits for 2017 will be Thursday 21 December. This applies to all benefits including partial withdrawals, first-home benefits, leaving service payments and withdrawals from deferred member accounts. For a pre-Christmas payment, Mercer needs to receive the completed form from you (or Payroll in the case of leaving service payments) by **Friday 15 December**. Payment requests received after this date will be processed from Wednesday 3 January. If you want to change your investment choice over this period, please request your change by Friday 29 December. Your change will then be processed in January 2018, and any request for an investment switch will occur once the crediting rates for the month of December 2017 have been determined (in line with normal monthly investment-switching practices).

● Latest returns

The latest returns are published on the website each month (usually about the 20th of the month following). Look for the 'Latest returns' link on the home page.

Got a question?

Visit our website 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).