

InTandem Insight

March 2016



Welcome to the first 2016 edition of the InTandem Insight.

So much has happened in 2015 – starting with the launch of this newsletter, the introduction of the first home withdrawal facility (read our next story about this facility) and we welcomed a number of new trustees to the board.

Many of you I am sure are reading and hearing about what's going on in the investment markets. It is important to stay calm and not panic. Try to separate your short-term emotions from the investment decision-making process which may impact you longer-term. Remember when reading the investment market headlines, while it may seem like a catastrophe one day, may be remembered as nothing more than a blip on “the radar” a few years down the road.

Unless your personal circumstances have changed, resist the temptation to change investment options.

On behalf of the trustees, enjoy this edition and we look forward to another great year helping you save towards your future!

Bruce Kerr,

Chairman



GET YOUR FOOT ON THE PROPERTY LADDER

Many of us dream of owning our own home and last year the Scheme introduced a first home withdrawal facility for In-Tandem members to help get their foot on the property ladder.

Meet Katie, a member of the scheme, who recently bought her first home using her super savings. Katie is based in Auckland and has been saving for just over 5 years.

In 2015, Katie started her property search, but had only considered buying an investment property with her Mum. Because let's face it, it is not easy doing it alone!

Not long after, as she was about to go to auction to buy an investment property, a colleague mentioned that the Scheme now offered this withdrawal option. Katie looked for information on the Scheme's website (www.westpacintandem.co.nz) and read the newsletter which talked about rules and processes Katie would need to follow.

“This changed my mind about purchasing an investment property as now I could potentially buy something that I would like to live in”, Katie said.

“After I found the home I wanted to buy, I ensured all my paper work was organised and this helped me sort out funds that I needed”.

Katie's dream has come true and she is now a proud owner of her first home! Are you considering buying your first home?

Here are some steps to help get you on your way.

8 STEPS TO YOUR FIRST HOME

- | | |
|----------------|--|
| 1&2 | Talk to your bank and Westpac InTandem Helpline team to find out what you can afford |
| 3 | Start the hunt |
| 4 | Find your first home |
| 5 | Apply to the Trustees for a First Home Withdrawal |
| 6 | Sort out the rest of your finances |
| 7 | Make a purchase |
| 8 | Move in! |



Katie's Tip

Double check your eligibility before committing to a property. The Scheme's helpline team can help. **Phone 0508 468 263**

There are certain terms and conditions that apply to this withdrawal, for example the property you are buying must be your principal place of residence and that you never owned a property previously either alone or with anyone else. A second chance home withdrawal may be available in certain other circumstances – refer to the website www.westpacintandem.co.nz for more information.

If you have questions about using your InTandem savings to help you buy your first home please call us on **0508 468 263**. The application form is also available online at www.westpacintandem.co.nz.

WHAT'S HAPPENED IN THE MARKETS?

The December quarter saw mixed returns from the major asset classes. Global shares, as represented (in New Zealand dollar terms), rose 6.2% with strong gains following a correction experienced during August and September. New Zealand shares meanwhile experienced an even stronger December quarter, gaining 13.1% with the defensive attributes and relatively high dividend yields of our market supporting demand for local shares. Bond markets generated modest gains for the period with longer dated bond yields little changed. Back home, December saw the Reserve Bank of New Zealand (RBNZ) deliver its fourth cut in the Official Cash Rate (OCR) with many economists considering further cuts will be necessary. In March, the OCR was cut to 2.25%. Increasing divergence in both economic growth expectations and central bank policy is expected to continue to impact performance well into this year. Accordingly, spikes in volatility from time to time are expected to continue which could test the patience of investors.

HOW HAS YOUR FUND PERFORMED?

Investment Performance as at 31 December 2015			
	3 Months	1 Year	3 Years pa
Cash Fund	0.5%	2.6%	2.5%
Defensive Fund	0.8%	2.9%	3.9%
Moderate Balanced Fund	1.1%	4.3%	6.9%
Growth Fund	1.4%	5.0%	9.0%
High Growth Fund	2.0%	6.1%	12.1%

Source: BT Funds Management, returns are after fees and taxes

A SHAKY START TO 2016

Global share markets experienced a shaky start to the year. In January, New Zealand shares were down -2.2%, although outperforming most global peers, while Japanese shares were the worst performers down -9.8%. Following a difficult January, markets continued to fall during the first half of February. The second half of February however saw a rebound as investors re-entered the market following more positive US data, although not with enough vigour to completely offset earlier falls. The seesaw nature of markets reflects the level of uncertainty as investors respond to mixed economic signals and expectations.

The selloff in risk assets has been primarily driven by investors' concerns over China's slowing economy, falling commodity prices, subdued global growth forecasts, persistently low inflation, and most recently fears of another recession.

Investors are also concerned that negative interest rates and other monetary policy actions have only had a limited result so far and that central banks may run out of tools to use if global economies fall into recession.

However the likelihood of a global recession remains low (21% according to the recent Wall Street Journal survey) and there have been some positive economic developments, including the strong labour market and better than expected retail sales in the U.S., improving growth dynamics and advances in employment in the Eurozone, as well as a modest yet positive start to the S&P Quarter four reporting season, with 68% of the companies beating analyst expectations.

In times of increased market stress, investors should remain focused on their long term objectives and remain well diversified, which should smooth out the impact of increased market volatility. If you are a new investor then don't panic as long as you contribute regularly and don't set short term unreasonable expectations you should see your investment grow in the long run.

CUTTING THROUGH THE JARGON

Asset Classes

Broad category of assets of a similar type. Major asset classes include shares, property, fixed interest and cash. Each asset class typically has its own risk, return and liquidity characteristics meaning the mix of asset classes within a portfolio impacts the risk and return profile of a portfolio.

Official Cash Rate (OCR)

The interest rate the Reserve Bank charges on money it lends to NZ banks. Changes in the OCR can affect how much you pay on your mortgage and how much you earn on your savings.

Recession

A decline in general business activity measured as two or more consecutive quarters of negative GDP growth in an economy.

Volatility

Fluctuations in an investment's value through time.

LET'S STAY IN TOUCH

We're committed to helping you make the most of your Westpac In-Tandem membership and from time-to-time we'll need to let you know important things about your account. We also have obligations to ensure you receive your annual member benefit statement and an Annual Report.

Keep your email, mobile phone and mailing address details up to date at www.westpacintandem.co.nz or call us on 0508 468 263.

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