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Welcome.

The final quarter of 2018 was a turbulent period for financial markets. International shares fell sharply, although 'safe-haven' bonds provided investors some shelter from the turmoil. In this issue we look at how the SIL Mutual Scheme's funds performed against this backdrop. We've also included information on the back page that puts the recent market activity into perspective and explains what it might mean for you.



How has each SIL fund performed?

PERFORMANCE AS AT 31 DECEMBER 2018

	3 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)
SIL Balanced Plus Fund	-7.55	-2.72	5.21	6.87	8.65
SIL New Zealand Fixed Interest Fund	1.27	4.01	3.98	4.69	4.75
SIL International Share Fund	-13.92	-4.28	7.30	8.95	9.20
SIL New Zealand Share Fund	-6.68	4.51	11.12	12.33	12.62
SIL Cash Plus Fund	0.54	2.16	2.14	2.40	2.48

Performance is after fees and before tax.

It was a challenging quarter for international share markets. Higher US interest rates, global trade disputes and expectations of a slowdown in company earnings all kept investors on edge. Geopolitical factors also weighed on sentiment, including US mid-term elections and Brexit. Against this backdrop, the SIL International Share Fund was down 13.92%. While New Zealand shares also fell, they proved more resilient given a number of takeover bids for local companies. That said the SIL New Zealand Share Fund still fell by 6.68%.

New Zealand bonds had a better quarter, delivering gains to investors. Bonds tend to do well when share markets are falling sharply, as they offer somewhat of a 'safe-haven' for investors. Against this backdrop, the SIL New Zealand Fixed Interest Fund gained 1.27%. As expected, cash delivered stable and positive returns, with the SIL Cash Plus Fund up 0.54% over the quarter.

The SIL Balanced Plus Fund has a 65% weighting to growth investments, such as shares and listed property. This dragged down fund performance during the quarter, as international share markets suffered heavy falls. Its 35% weighting to income investments, such as fixed interest and cash, helped to soften the blow, but over the quarter the fund still finished down 7.55%.



Check out our quarterly video

It's easy to view the video.
 Simply go to silfunds.co.nz

In our latest quarterly video, Stuart Millar, Head of Investment Strategy at ANZ Investments, discusses some of the challenges faced by the SIL Balanced Plus Fund during the quarter.



Stuart Millar
 Head of Investment Strategy



What's happened to your account balance?

As an investor in the SIL Mutual Scheme, your account balance may have fallen if you are invested in one of the funds that invests in, or has exposure to, the world's share markets. We want to explain what's been happening and why there's no cause to panic.

Your investment account balance tends to go up and down in line with the rise and fall in financial markets. As you may have seen in the media, there were some big falls in global share markets towards the end of 2018. Share markets don't like uncertainty and combined with other things occurring in the international markets we understand this may put you, as an investor, on edge.

What does this mean for your investments?

The funds that make up the SIL Mutual Scheme are generally intended as long term investments, so you should be able to recoup any recent losses over time. The following graph shows that even when share markets have taken a real knock, such as during the Global Financial Crisis (when the US share market fell by over 50%), they can bounce back over time¹:



Despite the concerns that are hanging over financial markets, global economic growth is strong and the fundamentals for share market performance remain in place. We believe that once some of the current uncertainties have passed, global growth will continue, albeit at a slower pace than what we've seen in the immediate past.

¹S&P 500 Index, local currency terms (rebased to 100), 31 December 2003 to 31 December 2018. Source ANZ/Bloomberg.

What should you do?

Market falls are part and parcel of investing, so it's best to focus on what you can control. Here are some simple things you can do to prepare for periods such as this:

1. Check that you're invested in the right fund for your life stage and attitude towards risk. If you invest in one of our share funds and have been left feeling anxious about your investments, you may want to consider one of our other funds.
2. Continue making regular contributions into your investment account, if you can. Investing through a market downturn means you can pick up investments at lower prices.
3. Seek financial advice.

Here to help

For financial advice, speak to your financial adviser. ANZ Investments can put you in touch with an adviser in your area if you need one. You can also contact ANZ Investments on:



0800 736 034



service@anzinvestments.co.nz



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Past performance does not indicate future performance, and performance is not guaranteed and can be negative as well as positive. Investments in any of the funds referred to in this document are subject to investment risk, including possible delays in repayment and loss of income invested. This material is for information purposes only. Its content is intended to be of a general nature, does not take into account your financial situation or goals, and is not a personalised financial adviser service under the Financial Advisers Act 2008. It is recommended you seek advice from a financial adviser, which takes into account your individual circumstances before you acquire or dispose of a financial product.

Investment and administration manager: ANZ New Zealand Investments Limited 01/19