



GARETH MORGAN INVESTMENTS

# GMI Superannuation Scheme

## **Annual Report & Summary Financial Statements**

For the Year Ended 31 March 2016

# An overview of global markets 2015-2016

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We are a global investor, which makes you a global investor too. So here's a quick round-up of the main events in financial markets around the world over the past year.

## A wild year in equity markets

### 2015

**April – May:** Share markets edged up in April, with plenty of churning along the way, while bond markets spiked in developed economies for most of May, before easing back by the end of the month.

**June – July:** Greece's debt crisis - which saw it edge closer to an exit from the Eurozone - made it a difficult month, especially for European markets. July saw a last minute deal between Greece and its creditors, causing European shares to rally strongly. However, Chinese share markets and commodities sold off precipitously at the start of July, rattling markets.

**August – September:** China continued to be the big news in August, as a growth scare ripped through global equity markets, resulting in levels of volatility rarely seen since the global financial crisis. Concern over the Chinese economy, and the US Federal Reserve's decision to defer its first interest rate hike since 2006, contributed to the sense of uncertainty in markets.

**October:** Concerns about Chinese growth declined, as global shares staged a strong comeback in October, making it one of the strongest months in recent years. More accommodative sounds from global central banks helped provide a remedy to the panic witnessed in financial markets during August and September.

**November – December:** Following October's strong bounce-back, it was a subdued end to the year, with a muted performance from global shares during November and December. This was due to continued falls in commodity prices, more lacklustre Chinese economic data and disappointment over central bank policy. December also saw the first US Federal Reserve rate hike in nearly ten years and market reaction was relatively muted.

## 2016

**January – February:** January was a difficult month for risk assets, looking a lot like a re-run of August. Share markets fell sharply before rallying towards month end, thanks to central banks adopting a more dovish stance. February saw big declines across share markets, as fears of global recession and rising concerns over bank balance sheets stalked markets and kept interest rates low. However, better economic news out of the US, stabilising oil prices, and helpful comments from some central banks, helped shares to bounce back in the latter half of February.

**March:** March saw a significant rebound for shares, credit, and commodities. Better economic data, supportive central bank policies and more stable oil prices all sustained an impressive rally in markets, although a strong rise in the Kiwi currency meant returns were more muted when measured in NZ dollar terms.

## Investment returns

Here are the investment returns for our investment portfolios for the years ended 31 March 2016 and 31 March 2015. Members can see returns for the investment portfolios by logging into their account at [www.gmisuper.co.nz](http://www.gmisuper.co.nz).

The benchmarks in the table are the comparable market returns for each investment portfolio. Our goal is to beat benchmark returns. We won't achieve that every year, and we may deviate from the benchmark asset allocation (sometimes for long periods of time), but that's what we strive for.

The returns are shown after all taxes, fees, and charges have been deducted, so they reflect what you'd get in your hand.

We use the highest Prescribed Investor Rate (PIR) in calculating investment returns, which currently is 28%. The PIR is the rate at which your scheme investment income is taxed. If your PIR is lower than 28%, your actual returns will usually be higher.

Investment Portfolio	Year ended	
	31 March 2016	31 March 2015
Conservative investment portfolio	1.97%	7.79%
Benchmark	2.33%	5.90%
Performance relative to benchmark	-0.36%	1.89%
Balanced investment portfolio	-1.24%	14.45%
Benchmark	-0.14%	10.80%
Performance relative to benchmark	-1.10%	3.65%
Growth investment portfolio	-3.96%	21.65%
Benchmark	-1.94%	14.70%
Performance relative to benchmark	-2.02%	6.95%

### Why a long-term focus is the way forward when investing for retirement

While we underperformed some of our benchmarks this year, it's important to remember that, while short-term results are important, it's the long-term results that matter most.

You'll likely weather many storms before you become eligible to withdraw your money in retirement. In the last ten years alone, we've experienced the global financial crisis, political events like the Arab Spring and terrorist attacks, and natural disasters like the Canterbury earthquakes. Your GMI Superannuation Scheme (GMI Super) account has withstood all this, and will likely withstand even more before you withdraw your money.

How much your account is affected by the kind of market volatility we've seen over the past year depends on the type of investment portfolio your GMI Super money is invested in. While all investments have some degree of risk, they typically sit along a risk and return spectrum – at one end are those portfolios which usually invest in lower-risk assets such as cash and bonds, with a smaller allocation to shares. Because they are less exposed to share markets, they are less affected by downturns in the share market. Portfolios at the other end of the spectrum have a greater exposure to share markets and are therefore more likely to lose out when these markets fall. Generally speaking, the riskier the portfolio, the higher your potential returns in the long-term, but the more likely it is that you'll be affected by market volatility in the short-term.

You need to take into consideration your investment timeframe, how much risk you're happy to take on and your general financial situation when deciding which investment portfolio is right for you. At the end of the day, if market ups and downs are keeping you awake at night, perhaps it's time to rethink which of the investment portfolios you choose to invest in.

This information is just general. It doesn't take into consideration your personal circumstances and shouldn't be considered a recommendation to invest in any particular portfolio. It's also important to bear in mind that your retirement investments and returns are not guaranteed by anyone.

## See-sawing shares and buoyant bonds

After four years of strong performance, 2015-2016 was a more difficult year for global shares, with price declines across most markets. This was reflected in the performance of our portfolios, particularly those with exposures to shares. In response to higher volatility in markets over the year we varied exposure to shares at the margin. For the Growth portfolio, this exposure was in the range of 77-85%. We made changes within portfolios to control risks and take advantage of opportunities as they arose. Our better performing shares over the year included those of US construction materials company **Martin Marietta**, US waste management company **Republic Services**, social media giant **Facebook**, and Dutch/UK consumer conglomerate **Unilever**. Offsetting these positives were a number of underperformers, including some of our European bank and US healthcare holdings.

Fixed interest returns in your portfolios were positive for the year due to falling interest rates and declining company credit spreads (the extra interest from owning a company bond over a government bond). A higher average bond maturity than benchmark helped the fixed interest part of your portfolio to outperform the benchmark. This was somewhat offset by an underweight to more volatile longer bond maturities, which outperformed in relation to shorter maturities as interest rates declined. Our multinational company bonds performed well as credit spreads declined. The cash component of the GMI Super portfolios also achieved good returns due to attractive interest rates on our domestic term deposits.

## What's been happening at Gareth Morgan Investments (GMI) this year

There have been a couple of changes over the last year at GMI that we thought you'd like to know about...

### Other changes during the year

#### Changes to the Trustee

##### **On 31 October 2015:**

- David Tapsell completed his term as a board member of Public Trust.

##### **On 1 November 2015:**

- Simon Marshall Craddock and John Ross Duncan were appointed as board members of Public Trust.

#### Changes to the Manager and Investment Manager

##### **On 29 April 2015:**

- Lindsay Wright ceased to be a director of the Manager and the Investment Manager.

#### Changes after year end

##### **On 30 April 2016:**

- Susan McCormack completed her term as a board member of Public Trust.

##### **On 9 September 2016:**

- the Scheme will transition to the Financial Markets Conduct Act 2013 (FMCA) and adopt new requirements under this law. This includes replacing our investment statement with a Product Disclosure Statement and making some changes to our trust deed and a new statement of investment policies and objectives (SIPO) was produced. Copies of these documents can be downloaded from the 'Scheme and Fund documents' page of our website at [www.kiwiwealth.co.nz/superannuation](http://www.kiwiwealth.co.nz/superannuation).

# GMI Superannuation Scheme

## Trustee Report to Members

### For the year ended 31 March 2016

In accordance with section 14 and Schedule 2 of the Superannuation Schemes Act 1989, Public Trust (Trustee) reports as follows:

The numerical changes in the membership of the GMI Superannuation Scheme (Scheme) for the year ended 31 March 2016 are:

	Total Scheme Membership	
	Year ended 31 March 2016	Year ended 31 March 2015
Opening	418	369
New Entrants	74	70
Withdrawals	(14)	(21)
Closing	478	418

The summary financial statements of the Scheme for the year ended 31 March 2016 are on pages 13 to 16.

The auditors' report on the summary financial statements of the Scheme is on page 17.

There were no amendments to the Scheme trust deed since the date of the last annual report.

### Scheme management information as at 31 March 2016:

- Public Trust is the Trustee.
- Gareth Morgan Investments Limited Partnership is the administration manager, investment manager and manager (Manager).
- Vero Liability Insurance Limited and DUAL New Zealand Limited are the insurers.
- Kensington Swan is the solicitor.
- PricewaterhouseCoopers is the auditor.

All correspondence from members to the Trustee should be sent to:

General Manager  
Corporate Trustee Services  
Public Trust  
Level 9, 34 Shortland Street  
PO Box 1598  
Shortland Street  
Auckland 1010

**Board members as at date of this annual report:**

- Sarah Mary Roberts (Chair)
- Fiona Ann Oliver (Deputy Chair)
- Dilkhush (Dinu) Harry
- Susan Mary Anna McCormack (term ended 30 April 2016)
- Diana Marie Puketapu
- Huei Min (Lyn) Lim
- John Ross Duncan
- Simon Marshall Craddock

The most recent prospectus of the Scheme was registered on 11 September 2015.

## GMI Superannuation Scheme

### Investment performance

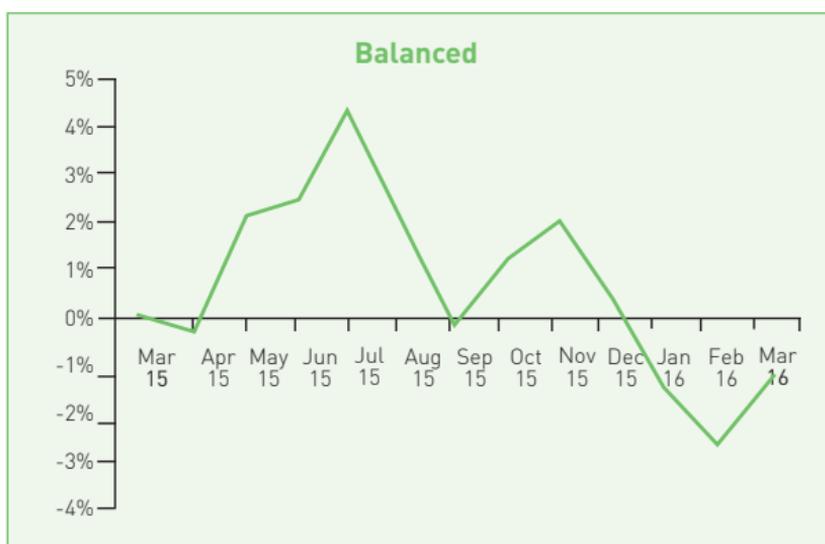
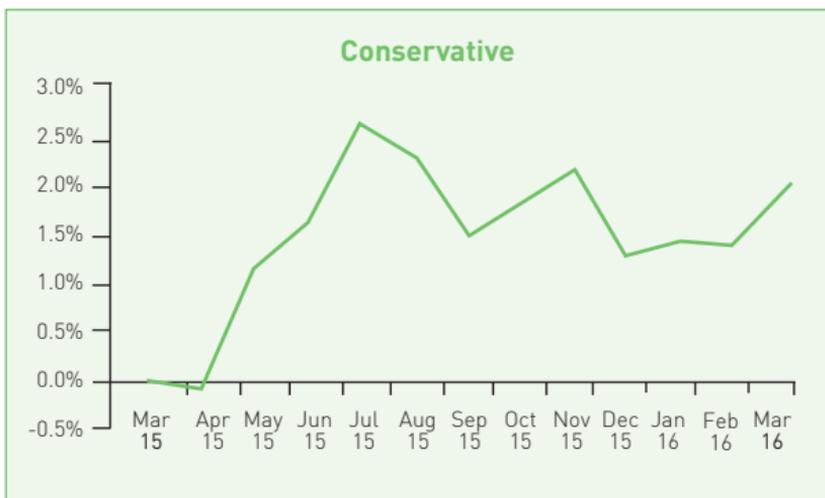
Shown below is the performance of each of the Scheme's three portfolios for the year ended 31 March 2016 after fees and taxes for the PIRs of 10.5%, 17.5% and 28%.

Additionally, a graph is shown for each of those portfolios giving an indication of the crediting rates applied to members' withdrawals during the year for the top PIR of 28%. Crediting rates are determined by the performance of investment markets at the time of the relevant member's withdrawal. It is important to note that past performance is not necessarily indicative of future performance.

### Investment performance for the year ended 31 March 2016

Conservative		
10.5% PIR	17.5% PIR	28% PIR
2.52%	2.30%	1.97%
Balanced		
10.5% PIR	17.5% PIR	28% PIR
-1.41%	-1.34%	-1.24%
Growth		
10.5% PIR	17.5% PIR	28% PIR
-4.80%	-4.46%	-3.96%

## Crediting rates for the year ended 31 March 2016



# GMI Superannuation Scheme

## Other Disclosures

Withdrawals:	Total Scheme 2016		Total Scheme 2015	
	Number of withdrawals	\$	Number of withdrawals	\$
Members' withdrawals	36	(1,916,786)	27	(1,943,137)
Scheme transfers out	0	0	4	(207,671)
<b>Total withdrawals</b>	<b>36</b>	<b>(1,916,786)</b>	<b>31</b>	<b>(2,150,809)</b>

Breakdown of withdrawals:	Total Scheme 2016		Total Scheme 2015	
	Number of withdrawals	\$	Number of withdrawals	\$
Retirement	23	(1,041,280)	13	(1,404,852)
Other withdrawals	13	(875,506)	14	(538,285)
Hardship withdrawals	2	(63,945)	2	(16,000)
Redundancy withdrawals	11	(811,561)	12	(522,285)

## Trustee's Certificate

### To the Members of the GMI Superannuation Scheme ('Scheme') for the year ended 31 March 2016

As required by Schedule 2 of the Superannuation Schemes Act 1989, Public Trust as trustee (Trustee) confirms that all contributions required to be made to the Scheme during the financial year in accordance with the terms of the trust deed of the Scheme (Trust Deed) have been made.

Further, the Trustee hereby certifies that:

- All the benefits required to be paid from the Scheme in accordance with the terms of the Trust Deed have been paid.
- The market value of the assets of the Scheme at the close of the financial year equalled the total value of the benefits that would have been payable had all members of the Scheme ceased to be members at that date and had provision been made for the continued payment of all benefits being paid to members and other beneficiaries as at the close of the financial year.

Ireen Muir

**Senior Manager Client Services  
Corporate Trustee Services  
Public Trust**



Date: 31 August 2016

## Summary Financial Statements

### Summary Statement of Changes in Net Assets For the year ended 31 March 2016

	Year ended 31 March 2016	Year ended 31 March 2015
<b>Investment activities</b>	\$	\$
<b>Investment income</b>		
Dividend and distribution income	602,463	389,812
Interest income	910,922	722,942
Net changes in fair value of financial assets and liabilities through profit or loss	(1,734,320)	5,141,322
Foreign exchange gain/(loss)	(4,624)	51,897
<b>Net investment income/(expense)</b>	<b>(225,559)</b>	<b>6,305,973</b>
<b>Expenses</b>		
Management and administration fees	579,240	444,336
Transaction fees and expenses	97,702	87,217
<b>Total expenses</b>	<b>676,942</b>	<b>531,553</b>
<b>Net increase/(decrease) in net assets before membership activities</b>	<b>(902,501)</b>	<b>5,774,420</b>
<b>Net assets attributable to members at beginning of the year</b>	<b>44,722,510</b>	<b>30,179,774</b>
<b>Membership activities</b>		
Employer contributions	907,997	889,388
Employee contributions	3,358,539	1,354,986
Transfers from other schemes	8,223,302	8,971,183
Other contributions	22,717	1,865
Withdrawals	(1,916,786)	(2,150,809)
PIE tax paid and payable	255,752	(298,297)
<b>Net membership activities</b>	<b>10,851,521</b>	<b>8,768,316</b>
<b>Benefits accrued to members' accounts</b>	<b>9,949,020</b>	<b>14,542,736</b>
<b>Net assets attributable to members</b>	<b>54,671,530</b>	<b>44,722,510</b>

## Summary Statement of Net Assets

As at 31 March 2016

	As at 31 March 2016	As at 31 March 2015
	\$	\$
<b>Assets</b>		
Cash and cash equivalents	8,340,704	4,135,903
Receivables	1,533,379	738,708
Financial assets held at fair value through profit and loss	46,057,384	40,196,970
<b>Total assets</b>	<b>55,931,467</b>	<b>45,071,581</b>
<b>Less liabilities</b>		
Management and administration fees payable	(51,739)	(43,951)
Financial liabilities held at fair value through profit and loss	(62,695)	-
Payables for securities purchased	(975,691)	(206,389)
PIE tax payable	(169,812)	(98,731)
<b>Total liabilities</b>	<b>(1,259,937)</b>	<b>(349,071)</b>
<b>Net assets attributable to members</b>	<b>54,671,530</b>	<b>44,722,510</b>
Represented by:		
<b>Member funds</b>	<b>54,671,530</b>	<b>44,722,510</b>

## Summary Statement of Cash Flows

For the year ended 31 March 2016

	Year ended 31 March 2016	Year ended 31 March 2015
	\$	\$
Net cash flows from operating activities	(6,726,315)	(9,738,197)
Net cash flows from financing activities	10,935,938	8,643,751
Add opening cash and cash equivalents	4,135,903	5,178,429
Effect of exchange rate fluctuations	(4,822)	51,920
<b>Closing cash and cash equivalents</b>	<b>8,340,704</b>	<b>4,135,903</b>

On behalf of the board members of Public Trust who authorised these summary financial statements for issue on 31 August 2016:

**Board member**



Date: 31 August 2016

## Notes to the Summary Financial Statements

### For the year ended 31 March 2016

A summary of the audited financial statements of the GMI Superannuation Scheme (Scheme) for the year ended 31 March 2016 which were authorised for issue by Public Trust (Trustee) on 31 August 2016 is shown on pages 13 to 15. The Scheme is registered under the Superannuation Schemes Act 1989, registration number AS/1758. The summary financial statements have been extracted from the full audited financial statements dated 31 March 2016 which were authorised for issue by the Trustee on 22 July 2016. The summary financial statements have been prepared in accordance with FRS-43: Summary Financial Statements.

The full financial statements have been prepared in accordance with generally accepted accounting practice and they comply with New Zealand equivalents to International Financial Reporting Standards. The Scheme has made an explicit and unreserved statement of compliance with International Financial Reporting Standards in note 2 of its full financial statements.

The financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Scheme operates. All financial information has been rounded to the nearest dollar.

The Scheme is a for-profit entity.

The auditor has examined the summary financial statements for consistency with the full audited financial statements and has issued an unmodified opinion on each of the summary financial statements and the full financial statements.

The summary financial statements cannot be expected to provide as complete an understanding as is provided by the full audited financial statements. You can obtain a copy of the full financial statements, at no charge, from Gareth Morgan Investments Limited Partnership via its website [www.gmisuper.co.nz](http://www.gmisuper.co.nz) or freephone 0800 427 384.

# Report of the Independent Auditors' on the Summary Financial Statements



## To the members of the GMI Superannuation Scheme

The accompanying summary financial statements on pages 13 to 16 which comprise the summary statements of net assets as at 31 March 2015 and 2016, the summary statements of changes in net assets for the years then ended, and related notes, are derived from the audited financial statements of the GMI Superannuation Scheme (the "Scheme") for the years ended 31 March 2015 and 2016.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Scheme.

Our audit of the financial statements for the year ended 31 March 2016 was completed on 22 July 2016 and our unmodified opinion was issued on that date. We have not undertaken any additional audit procedures in relation to those financial statements from the date of the completion of our audit and those financial statements and the summary financial statements do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

This report is made solely to the Scheme's members, as a body. Our work has been undertaken so that we might state those matters we are required to state to them in a report from the auditor and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's members, as a body, for this report, or for the opinions we have formed. In addition, we take no responsibility for, nor do we report on, any part of the annual report not specifically mentioned in our report.

## Trustee's Responsibility for the Summary Financial Statements

The Trustee is responsible for the preparation and presentation of the summary financial statements in accordance with FRS-43: Summary Financial Statements ("FRS 43").

## Auditors' Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements.

We are independent of the Scheme. Other than in our capacity as auditors and providers of other related assurance services, we have no relationships with, or interests in, the Scheme.

## Opinion

In our opinion, the summary financial statements on pages 13 to 16 have been correctly extracted from the audited financial statements of the Scheme for the year ended 31 March 2015 and 2016 and are consistent, in all material respects, with those audited financial statements.

## Restriction on Use of our Report

This report has been prepared for inclusion in the annual report. We disclaim any responsibility for reliance on this report or the amounts included in the summary financial statements, for any purpose other than that for which they were prepared.



Chartered Accountants  
31 August 2016

Wellington

## Directory

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### Administration Manager | Investment Manager | Manager

Gareth Morgan Investments Limited Partnership  
Street address: Level 4, 109 Featherston Street,  
Wellington 6011  
Postal address: PO Box 10068, Wellington 6143  
Tel: 0800 427 384  
Email: [questions@gmisuper.co.nz](mailto:questions@gmisuper.co.nz)

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### Scheme Trustee

Public Trust  
Street address: Ground Floor, 100 Molesworth Street,  
Wellington 6145  
Postal address: PO Box 5067, Wellington 6145  
Email: [CTS.Enquiry@publictrust.co.nz](mailto:CTS.Enquiry@publictrust.co.nz)

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### The Auditor

PricewaterhouseCoopers  
Street address: 113-119 The Terrace, Wellington 6011  
Postal address: PO Box 243, Wellington 6140

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### The Solicitor

Kensington Swan  
Street address: 89 The Terrace, Wellington 6011

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Gareth Morgan Investments Limited Partnership is a related entity of Kiwibank Limited. Investments made in the GMI Superannuation Scheme (**Scheme**) do not represent bank deposits or other liabilities of Kiwibank Limited, New Zealand Post Limited or any other member of the New Zealand Post Group. They are subject to investment and other risks, including possible delays in payment of withdrawal amounts and loss of investment value. No person, including Kiwibank Limited, New Zealand Post Limited or any other member of the New Zealand Post Group, GMI General Partner Limited, Gareth Morgan Investments Limited Partnership, Public Trust as the Trustee of the Scheme or any of their respective directors or board members, or the New Zealand Government, guarantees the payment of members' interests in the Scheme or the payment of any earnings or returns on investment in the Scheme. The Product Disclosure Statement for the Scheme is available at [www.gmisuper.co.nz](http://www.gmisuper.co.nz) or by calling 0800 427 384.







## GMI Superannuation Scheme

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