



NEWSLETTER



In this issue:

- Chair's Message
- Investment Market Update
- Artificial Intelligence
- Fund Returns
- Withdrawals
- Keeping track of you

Message from the Chair

I hope you are staying warm and well this winter!

We're now past the shortest day of the year and as I write, Matariki is just days away. Matariki signals a time to remember those who have passed, celebrate the present, and plan for the future. It's great to have something to celebrate at this time of the year – and to have a reminder that we can now start to look forward to spring and summer.

That makes Matariki an excellent motif for this newsletter. We look at past returns, what's happening in markets right now, and provide a little food for thought about future withdrawals from the Fund.

Starting with past returns, the chart on page 3 illustrates that thanks to a strong start to 2024, the returns from our investment options have now surpassed their former highs. For 12 months to 31 May 2024¹ the Growth Fund returned 11.6%, the Balanced Fund 9.2%, the Conservative Fund 5.6%, and the Cash Fund returned 5.5%. We will report on the returns from the new Moderate Fund after 12 months.

The good investment performance has largely been driven by technology shares (and reasonably high interest rates). On page 2 we look at how AI or artificial intelligence is pushing technology company share prices higher and higher - and we highlight the phenomenal performance of Nvidia.

On page 4 we remind you that we usually need two weeks' notice to process a lump sum withdrawal, and that the Fund's tax advantage is worth thinking about when making lump sum withdrawals. We also ask that you help us keep track of you, whether in service or retired.

I trust you get to celebrate Matariki with family and friends.

Yours in Christ

Margaret Galt



¹ All returns quoted in the Chair's Message are after fees and expenses.

Investment Market Update

Global shares continued to drive investment returns for the first five months of year. Global share prices are up more than +10% so far in 2024 - and by even more for NZ investors because the NZ dollar has weakened a little, boosting the return from overseas assets. The softer NZ dollar has been matched by the NZ sharemarket, which has barely risen at all, up only +1% so far in 2024.

Uncertainty about future interest rates has generated mixed results for Cash and Bonds. The Reserve Bank of NZ has held the main interest rate at 5.5%, generating modest returns for Cash investments (+2.4% year to date). In contrast, interest rates on longer dated bonds have risen (because investors think that inflation will be more persistent), leading to small losses from government bond portfolios. NZ government bonds lost -0.7% over the first five months of the year.

The net impact is that those investment funds with the most exposure to global shares have performed the best so far in 2024.

Where to next? Investors continue to wait for central banks to lower interest rates. Inflation has not come down as quickly as the regulators would have liked, despite slowing economies. There is a risk they wait too long, and a slowing economy turns into a recession. If this happens, we might see interest rates drop swiftly and share prices decline from current highs.

It's all about Artificial Intelligence (AI)

As we have noted before, not all global companies were created equal. Global share performance continues to be driven predominantly by large US technology companies, particularly the magnificent seven: Amazon, Apple, Facebook, Google, Microsoft, Nvidia, and Tesla.

The performance of these companies is all about AI, or Artificial Intelligence. AI is expected to contribute significantly to the global economy by driving improvements in efficiency and productivity. AI works by taking lots and lots of data and combining this with deep learning models. These models or algorithms are designed to mimic the human brain and give computers the ability to learn from experience.

In this way, AI will be able to perform tasks formerly carried out by humans, and do so more quickly and with greater accuracy. For example, an AI model can be “trained”, using millions of examples, to predict whether a certain X-ray shows signs of a tumour, or if a particular borrower is likely to default on a loan.

AI can also be used to generate new data or content. This is called, generative AI, or artificial intelligence that learns to generate more objects that look like the data it was trained on. You may have come across ChatGPT, which is a relatively well-known form of generative AI. In future, ChatGPT, or something like it, will probably be used to produce this newsletter (but for now it's still produced by real people). There are questions about the impact of AI, but we'll leave that to others.

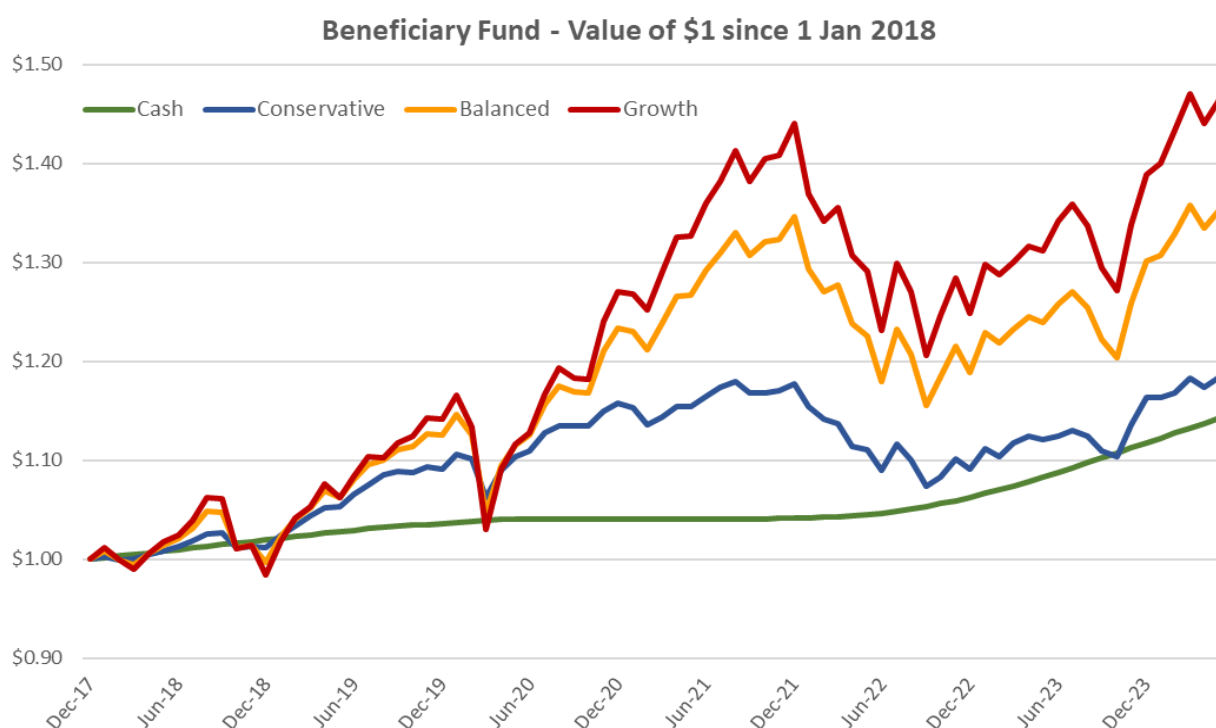
Nvidia is the poster child for the impact of AI on share prices. Nvidia makes artificial intelligence chips which it sells to a handful of very big corporate buyers. An AI chip is a specialised integrated circuit designed to handle AI tasks. The Nvidia share price rise has been meteoric, increasing almost ninefold since the end of 2022 and is up over 160% so far in 2024. In June, Nvidia briefly became the most valuable publicly traded US company, bigger than Apple and Microsoft, the two big brand technology companies that have traded first place over the last few years.



Fund Returns

The chart below illustrates the value of \$1 invested in the various investment options available in the Fund since 1 January 2018 (after fees and expenses). It shows returns peaking at the end of 2021 after an amazing period following the initial Covid shock. After that, returns fell to a low point at the end of September 2022. Since then, returns have been quite volatile but positive overall, with all the Fund's investment options now at new highs.

Fund returns have been positive in four out of five months so far in 2024. This has pushed the Growth Fund return for the last 12 months to nearly 12%, and 7% p.a. for the last five years (after fees). The Balanced Fund is up over 9% for the last year, with the Conservative Fund up 5.6% and the Cash Fund up 5.5% (after fees). Whereas we don't expect the Cash Fund to return more than this in the near future, we hope the Conservative Fund will continue to lift.



All the Fund's Investment Options have hit new highs

The table below provides annualised returns after fees for each investment option for periods to 31 May 2024 (we will include the Moderate Fund once it has reached one year of returns).

Presbyterian Beneficiary Fund – investment option returns per annum to 31 May 2024				
	Cash	Conservative	Balanced	Growth
1 year	5.5%	5.6%	9.2%	11.6%
3 years	3.2%	1.1%	3.1%	4.4%
5 years	1.9%	2.5%	5.2%	6.9%

The table below provides unit prices for each investment option as at 31 May 2024.

Presbyterian Beneficiary Fund – unit prices as at 31 May 2024					
	Cash	Conservative	Moderate	Balanced	Growth
Unit Price	1.7288	1.1801	1.0462	1.4209	1.4592

Withdrawing money from the Beneficiary Fund

Being a retirement savings vehicle, your savings are largely locked in the Fund until you reach retirement age (or leave active ministry in the case of the New Benefits Section). There are some exceptions, such as the purchase of a first home and significant financial hardship. Please see the [Product Disclosure Statement](#) for more details about withdrawing your investments.

Once retired, you can set up a regular withdrawal and/or make a lump sum withdrawal. Please contact the team at MJW (see the details below) if you have any questions about how to do this.

There are a couple of things to think about before you make a lump sum withdrawal. The first is timing. Withdrawals from the Fund are typically processed around the middle and end of the month, and we need some notice (usually two weeks) to redeem the underlying investments. However, we are able to make withdrawals with short notice in exceptional circumstances, such as when members need funds for the purchase of their first home.

The second consideration is for those with a choice of funds to withdraw from (we know some of you have other savings or investments alongside the Beneficiary Fund). Please remember that with the Beneficiary Fund you enjoy a tax advantage. That is, in recognition of your calling and service to the Church, you do not pay any tax on investment income earned in the Fund. This might be something to think about before you select where to withdraw your funds from – but as always, we recommend you seek financial advice when making major investment decisions.

Keeping track of you

It can be easier to lose track of a minister than you might think, particularly when you move from one congregation to the next. The Church's systems can sometimes take a while to catch up, and occasionally things (and people) can slip through the cracks.

It's critical for your new congregation (or whatever entity you are moving to) to arrange for the correct contributions from the very beginning of your time there.

Every now and then we catch up with a minister who has been working for a new congregation for months before we hear about it.

So, while it is the Treasurer's responsibility to make sure this happens, you can help by checking in with them to ensure everything is as it should be. If you're not sure, or you or the Treasurer have any questions, please contact the team at MJW (see below)

And it's not just current ministers we need to keep track of. Even if you have retired, please keep the Fund's administrator, MJW, in touch with any change in address or contact details.



For information about your account balance and Fund details, or to request a withdrawal or investment switch, please call the Fund's Administration Manager, Melville Jessup Weaver (MJW), on 0800 266 787, emailing them at presbyterian@mjw.co.nz, or posting to PO Box 1096, Wellington 6140.

This document is intended for general guidance only and is not personalised to you. It does not take into account your particular financial situation or goals. It is not financial advice or a recommendation. Past performance does not guarantee future results. Presbyterian Beneficiary Fund Trustee Limited is the issuer of the Presbyterian Church of Aotearoa New Zealand Beneficiary Fund (referred to in this newsletter as the Fund). You should read the Product Disclosure Statement before making a decision and seek financial advice from an appropriately qualified financial adviser if you are unsure of what action to take. The Product Disclosure Statement for the Fund is available at <https://www.presbyterian.org.nz/for-parishes/church-property-trustees/beneficiary-fund> or by calling the Trustee on (04) 381 8296.