

MFL



MFL MUTUAL FUND

ANNUAL REPORT

FOR THE 12 MONTHS
ENDED 30 JUNE 2019



MFL Mutual Fund ('MFL', 'the scheme' or 'the fund') was established in 1969 to provide New Zealanders with an opportunity to plan and save for retirement.

MFL is a registered superannuation scheme. The scheme was closed to new members on 16 September 2016. The trustee and manager of the scheme (the **trustee**) is MFL Mutual Fund Limited. The trustee is governed by a board of directors, which meets regularly throughout the year to oversee the administration and management of the scheme and that members' investments are managed in accordance with the trust deed. Further information about the directors of the trustee is available at mflmutual.co.nz.

ANZ New Zealand Investments Limited (ANZ Investments) is the investment and administration manager (the **investment manager**) of the scheme.

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WELCOME

“It was a solid year for returns, with MFL gaining 9.88%, benefiting from strong performances in both local and international listed property securities.”

I'm pleased to present the MFL Mutual Fund annual report for the year ended 30 June 2019.

In 2019, we celebrated our 50th year, making MFL one of New Zealand's longest running superannuation schemes.

It was a solid year for returns, with MFL gaining 9.88%, benefiting from strong performances in both local and international listed property securities.

While this result is positive, longer-term returns are a better measure of performance and pleasingly MFL's performance over the last 10 years is a very strong 13.46% per annum.

Together with the investment manager, ANZ Investments, I'm pleased to highlight a number of developments during the year:

- We provided new easy-to-read account statements with personalised information, including the fees you paid as a dollar amount.
- New contribution capability was added to ANZ Internet Banking making it easier for members to contribute to their investment.
- Since becoming a signatory to the United Nations-supported Principles for Responsible Investment in 2018, ANZ Investments has completed the required reporting, which outlines their philosophy to responsible investing.

On the following page, ANZ Investments provides a detailed account of the fund performance over the year.

For up-to-date information, please look out for the quarterly Fund Watch publication, which includes performance commentary as well as other information to help you manage your investment.

I'd like to remind you to contact your financial adviser to review your personal financial plan and progress. It's important to discuss any changes in your situation, as well as considerations for the future. ANZ Investments will be happy to put you in touch with an adviser in your area if you need one.

Thank you for investing in the MFL Mutual Fund. We appreciate having you in the scheme and look forward to helping you achieve your financial goals.

Mark Cross
Chairman,
MFL Mutual Fund Limited



INVESTMENT MANAGER'S REPORT

The MFL Mutual Fund is a managed portfolio that invests predominantly in Australasian listed property, Australasian equities and international listed property. It may invest in cash and cash equivalents, fixed interest assets and companies, funds or trusts that invest in property and are intending to list.

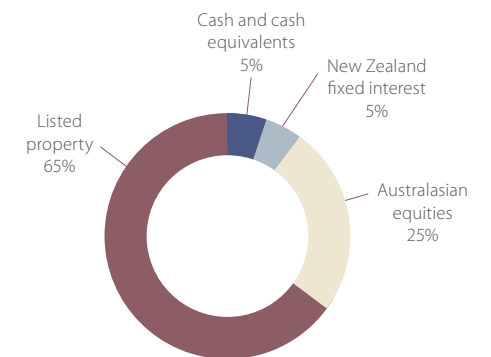
Some underlying investments are held directly and some are held via an underlying fund.

Listed property includes trusts or companies that own or invest directly in commercial, office and industrial property.

The fund's equity investments will predominantly be shares in listed trusts or companies with a substantial property component. These could include, for example, ports, airports, toll roads, utility networks and retirement villages.

The chart below shows the target investment mix, which represents the mix of assets that the fund generally intends to invest in.

TARGET INVESTMENT MIX



PERFORMANCE SUMMARY

FUND PERFORMANCE AT 30 JUNE 2019	1 year (%)	5 years (% p.a.)	10 years (% p.a.)
MFL Mutual Fund	9.88	9.88	13.46

Performance is after fees (excluding administration fees charged directly to member accounts) and before tax. This is represented by changes in unit prices plus any applicable tax credits. Past performance is not indicative of future performance. Performance can be negative as well as positive.

PERFORMANCE COMMENT

MFL had another strong year, returning 9.88% for the 12 months ended 30 June 2019. The fund has returned annualised returns of 13.46% over the past 10 years.

It was a challenging end to 2018 for the fund, as global equity markets endured a sharp sell-off across all sectors amid rising geopolitical concerns. However, this proved to be short-lived and the fund recovered early losses, going on to post another solid year for members.

The recovery in MFL's unit price was aided by central banks beginning to lower interest rates to combat international trade concerns and falling inflation expectations. In New Zealand, the Reserve Bank cut the Official Cash Rate to a record low, while in the US, the Federal Reserve lowered its policy rate for the first time since the financial crisis. Listed property tends to outperform other asset classes in a low interest rate environment as investors flock to assets with reliable cash flows.

Demand for office property remained strong throughout the year, with an emerging source of demand coming from companies providing co-working space, such as the company WeWork, which provide office facilities for small businesses and start-ups. Demand for this type of work location was particularly noticeable in larger global gateway cities.

However, the retirement sector underperformed the broader market as investor sentiment turned negative on weaker Auckland house prices. The effect of softening house prices resulted in dampened demand for retirement village units as buyers found it difficult to sell their own homes.

Additionally, the retail sector faced challenges as online shopping continued to gain a greater share of total retail spend at the expense of traditional 'bricks & mortar' retail. The net effect has been lower rental growth and higher capital expenditure as landlords re-mixed tenants and introduced more leisure and service offerings.

MFL UNIT PRICE TO 30 JUNE 2019



DETAILS OF SCHEME

NAME OF THE SCHEME

MFL Mutual Fund.

TYPE OF SCHEME

Restricted superannuation scheme.
The scheme is closed to new investors.

TRUSTEE AND MANAGER

MFL Mutual Fund Limited (**trustee**).

INVESTMENT AND ADMINISTRATION MANAGER

ANZ New Zealand Investments Limited
(**investment manager**).

PRODUCT DISCLOSURE STATEMENT

As the scheme is a restricted scheme, there is no product disclosure statement.

FUND UPDATE

The scheme's latest fund updates for the year ended 30 June 2019 were made publicly available on 26 September 2019. These are available on the offer register at disclose-register.companiesoffice.govt.nz.

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The scheme's latest financial statements for the 12 months ended 30 June 2019, and the auditor's report on those financial statements, were dated 23 October 2019 and were lodged with the Registrar on 29 October 2019. See page 15 for more details.

INFORMATION ON CONTRIBUTIONS AND SCHEME PARTICIPANTS

The information in this document relates to the 12 months from 1 July 2018 to 30 June 2019 (the **year**).

MEMBERSHIP

The table below provides a summary of the numerical changes in the membership of the scheme during the year.

MEMBERSHIP MOVEMENTS	Number of members	Total amount (\$000)
SCHEME MEMBERS AT 1 JULY 2018		
Contributing members	2,542	
Non-contributing members	15,899	
Total members at 1 July 2018	18,441	
Total members' accumulation at 1 July 2018		490,226
PLUS NEW MEMBERS		
Transfers from other schemes	–	
Other new members	–	
Total new members during the year	–	
LESS EXITED MEMBERS		
Retirement	720	
Death	112	
Transfers to other schemes	–	
Full withdrawals for other reasons	37	
Total members exited during the year	869	
SCHEME MEMBERS AT 30 JUNE 2019		
Contributing members*	2,406	
Non-contributing members*	15,166	
Total scheme members at 30 June 2019	17,572	
Total members' accumulation at 30 June 2019		499,231

* Non-contributing member means a member for whom no contributions have been received in the previous two months.

CHANGES RELATING TO THE SCHEME

CONTRIBUTIONS

The table below provides a summary of the contributions received during the year by way of:

CONTRIBUTION TYPE	Number of members	Total amount (\$000)
Member contributions*	2,974	10,724
Employer contributions	-	-
Total contributions		10,724

* All member contributions are voluntary.

This section describes any material changes to the scheme’s nature, investment objectives and strategy, and management during the year.

CHANGES TO THE STATEMENT OF INVESTMENT POLICY AND OBJECTIVES (SIPO)

There were no changes to the scheme’s SIPO over the year.

CHANGES TO THE NATURE OR SCALE OF RELATED PARTY TRANSACTIONS

There were no material changes to the nature or scale of related party transactions entered into for the scheme during the year. All related party transactions were conducted on arm’s-length terms.



OTHER INFORMATION FOR PARTICULAR TYPES OF MANAGED FUNDS

WITHDRAWALS

The table below sets out the withdrawals made from the scheme during the year.

WITHDRAWAL REASON	Number of members	Total amount (\$000)
Partial withdrawals*	23	232
Full withdrawals*	37	845
Death	112	6,611
Retirements**	1,232	36,707
Transfers to other registered schemes	–	–
Total withdrawals		44,395

* Includes hardship, permanent emigration, serious illness and other voluntary member withdrawals.

** Includes partial and full retirement member withdrawals.

UNIT PRICES

The table below sets out the unit prices for the scheme at the start and end of the year.

FUND	At 30 June 2018	At 30 June 2019
MFL Mutual Fund	4.2729	4.6777

TRUSTEE'S STATEMENT

MFL Mutual Fund Limited, as trustee of the scheme, confirms that:

- all the contributions required to be made to the scheme in accordance with the terms of the trust deed have been made
- all the benefits required to be paid from the scheme in accordance with the terms of the trust deed have been paid, and
- the market value of the scheme property at 30 June 2019 equalled or exceeded the total value of 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 30 June 2019.



CHANGES TO PERSONS INVOLVED IN THE SCHEME

TRUSTEE AND MANAGER

MFL Mutual Fund Limited was the trustee and manager of the scheme throughout the year.

There were no changes to the trustee and manager or any of its directors during the year.

AUDITOR

KPMG was the auditor of the scheme throughout the year.



HOW TO FIND FURTHER INFORMATION

ON DISCLOSE

Disclose is a website that contains two registers – an offer register and a scheme register.

To find the fund updates, go to:

- **disclose-register.companiesoffice.govt.nz**
Click SEARCH OFFERS and search for 'MFL Mutual Fund'

To find the SIPO, trust deed and financial statements, go to:

- **disclose-register.companiesoffice.govt.nz**
Click SEARCH SCHEMES and search for 'MFL Mutual Fund'

ON OUR WEBSITE

Other valuable information and resources to help you manage your investment, including transaction forms, fund performance, unit prices, and annual fund updates are available on the MFL website:

- **mflmutual.co.nz**

You can also obtain a copy of any of the above information on request and free of charge by contacting ANZ Investments (contact details are on the next page).

CONTACT DETAILS AND COMPLAINTS

TRUSTEE AND MANAGER MFL Mutual Fund Limited

Registered office:
c/- Dunne Consulting Group Limited
Level 2, Unit F4
27-29 William Pickering Drive
Auckland 0632



09 451 7530

INVESTMENT MANAGER ANZ New Zealand Investments Limited

ANZ Centre, 23-29 Albert Street, Auckland
Freepost 324, PO Box 7149, Wellesley Street
Auckland 1141



Call 0800 736 034 or +64 9 356 4000



service@anzinvestments.co.nz

IF YOU HAVE A COMPLAINT

For any problems or complaints, contact your financial adviser first. If you don't have a financial adviser, or your financial adviser has been unable to help you, please let ANZ Investments know using the contact details on this page. As the administration manager of the scheme, they are committed to resolving your complaint as quickly as possible.

If ANZ Investments is unable to resolve your complaint, you may choose to contact the trustee at the contact details on the left.

If you're still not satisfied, you can get free independent assistance from the following dispute resolutions scheme.

DISPUTE RESOLUTION SCHEME Insurance and Financial Services Ombudsman Scheme

81 Molesworth Street, Wellington
PO Box 10-845
Wellington 6143



0800 888 202



info@ifso.nz

You won't be charged a fee by ANZ Investments, the trustee or the dispute resolution scheme for investigating or resolving a complaint.

Investments in the scheme are not deposits in ANZ Bank New Zealand Limited, Australia and New Zealand Banking Group Limited or their subsidiaries (together **ANZ Group**), nor are they liabilities of ANZ Group. ANZ Group does not stand behind or guarantee the obligations of ANZ New Zealand Investments Limited or MFL Mutual Fund Limited. Investments are subject to investment risk, including possible delays in repayment, and loss of income and principal invested. ANZ Group will not be liable to you for the capital value or performance of your investment. Your investment in the scheme is not guaranteed by ANZ Group, MFL Mutual Fund Limited, any of their directors or any other person.

