



COOK ISLANDS
CINSF
NATIONAL SUPERANNUATION FUND

ANNUAL REPORT

Cook Islands National Superannuation Fund

To the Members for the year ended 31 December 2019



COOK ISLANDS
CINSE
NATIONAL SUPERANNUATION FUND



Supporting security
in retirement...





Total Fund Size

\$187,992,093



Net Investment Revenue

\$19.6m



Total Contributions

\$18.4m



Benefits Paid to Members

\$5.2m



Conservative Fund

9.3%



Balanced Fund

14.4%



Growth Fund

18.1%



Total number of Members

12,008

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CEO LETTER TO MEMBERS



Kia Orana Koutou,

It is my pleasure to present to our members and stakeholders the Cook Islands National Superannuation Fund (CINSF) 2019 Annual Report.

The highest priority for our members is obtaining a good return on their funds that we invest, and this year the CINSF bounced back from its 2018 results to record the highest return to members, through the Growth Fund, since the CINSFs inception.

Growth Fund	18.1%
Balanced Fund	14.4%
Conservative Fund	9.3%

Whilst the returns in the Growth and Balanced Funds are high, we remind our members that this is due to the higher exposure to the international share markets within each of those Funds. We therefore continue to caution our members to ensure they select the investment option that best suits their risk profile.

The team here at the CINSF Office have worked diligently over the course of the year researching benefits for members, analyzing the operations and cost efficiencies, reviewing and updating investment policies and objectives, and setting out clear strategies to strengthening the CINSF for the benefit of the members. Further into the annual report you can read more about the work we've been doing.

Our largest project has been the investment in the new software to assist employers with the submission of data and payment of contributions online. The software improvements are significantly reducing the errors and rework the CINSF office manages compared to the manual submission process. As we continue to migrate employers onto the new software, our intention is to gradually add additional features to further improve the service to employers.

The working relationship between the CINSF, the Ministry of Foreign Affairs & Immigration (MFAI), the Ministry of Internal Affairs (MIA) and the Ministry of Finance & Economic Management (MFEM), has made an important improvement to the CINSF registration, collection of data, and contributions, for foreign workers in the Cook Islands. We would like to extend our thanks to these government departments and individuals that have developed and implemented this initiative to improve employer compliance for the protection of foreign workers.

This year we bid farewell to one of our longest serving colleagues, our Client Services team member Mrs Nooke Thomas who has served 9 years on our front line as a friendly face working with members and employers. We thank Nooke for her service and wish her the very best for the future.

The 2019 annual report has a new lay out with more information on components of the CINSF and the various areas we have been working on to benefit members. I hope you enjoy the additional reporting.

I'd like to extend my thanks to the CINSF Board Members, Trustees, Investment Managers, Service Providers, and most importantly the Staff here in our Cook Islands Office, for all the hard work they have put in, and challenges we have faced and worked through for the benefit of our members, the people of the Cook Islands.

Meitaki Maata e Kia Manuia

Damien Beddoes
Chief Executive Officer

TRUSTEE LETTER

Message from the Trustee

The Trustee is pleased to present to the Members of the Cook Islands National Superannuation Fund (the 'Fund') the Trustee Report for the year ended 31 December 2019. The Trustee Report is provided to keep you informed of the Fund's financial results during the year and your investment in the Fund. The Trustee Report to Members is provided annually.

Your individual member statement which lists the value of your benefits as at 31 December 2019 has been uploaded to your online investment account records, available through the member log in from the CINSF website. Alternatively, a copy is available to you from the CINSF Office.

Fund Activity

During the year under review, combined contributions from members and their employers were \$18.4m million (2018: \$15.6m). Benefit payments were \$5.2m (2018: \$3.4m).

The net asset value of the Fund grew by \$31.2 million to reach \$188.0 million (2018: \$156.8m) at the end of 2019. Also, 974 new members joined the Fund, bringing the total membership to 12,008. Pensioners rose from 192 at the end of 2018 to 278 as at the end of 2019.

"Member Choice" Investments

During 2015, Members were presented with options enabling them to invest their existing plan balances and ongoing contributions into a new CINSF Balanced Fund or CINSF Growth Fund. The CINSF Conservative Fund is the "Default" Fund for Members who do not select an investment option.

CINSF Investment Fund Performance

The table below sets out the interest rates to be credited to Member Accounts for the year ended 31 December 2019.

CINSF Investment Fund	Interest Rate Year ended 31 December 2019 (%)
CINSF Conservative Fund	9.30%
CINSF Balanced Fund	14.40%
CINSF Growth Fund	18.10%

The Investment Fund returns are a combination of the change in market value plus any distributions, which are reinvested back into the Funds. As noted in the 2018 Annual report, in the later months of 2018 the impact of the negative returns on global shares, due in part to escalating international trade tensions and the US Government shutdown, adversely impacted Fund returns as at the end of the 2018 financial year.

For the quarter ended 31 March 2019, the investment losses on global sharemarkets experienced by the Fund in the later part of 2018 were largely recovered. For the remaining months of the 2019 financial year, investment returns were positive which is reflected in the interest rates set out in the table above.

As part of the ongoing and long term nature of the Fund, the Trustee in consultation with the Board, will continue to undertake investment reviews in consultation with the investment and administration managers and also with independent investment consultants.



COVID-19

Members will be aware of the global impact of COVID-19. The impact on investment markets related to COVID-19 occurred after the 31 December 2019 balance date of the Fund and is continuing. The Fund is not immune to the volatility created on investment markets but the impact is reduced somewhat due to member accounts being primarily invested in the CINSF Conservative Fund.

To reduce the impact of investment losses as a result of COVID-19, the Trustee and the Board on advice from the Fund's actuary, opted to transfer a portion of the 2019 income to the Fund's Reserve Account (Reserve Account Balance 2019: \$2,086,000: 2018: \$500,000).

How the Fund Works

The Fund is designed to provide Members with a means to save for their retirement. The Fund is intended to help give Members financial security in their retirement or, in the event of their death before retirement, security for their dependents.

Membership of the Fund is compulsory for all people working in the Cook Islands or employed outside the Cook Islands by an employer resident in the Cook Islands, unless the employer qualifies for a specific exemption. As a member you contribute 5% of your salary to the Fund and your Employer also contributes*. All contributions are allocated to your Member and Employer Account (collectively known as your Compulsory Account) held in your name. Each year Compulsory Accounts are credited with interest reflecting the rate earned by the Fund during the year. Please note that in financial years where there are investment losses, Compulsory Accounts could be impacted negatively by the allocation of any investment losses.

The main purpose of the Fund is to provide for retirement through long term savings. To encourage savings, you are not able to withdraw monies from the Fund, except in certain circumstances, while remaining a contributing member. The Fund also provides you with Life Insurance cover provided you meet certain criteria.

On retirement you become entitled to a pension benefit based on the amount held on your behalf in your Compulsory Account, subject to the balance of the Compulsory Account having a minimum value of \$15,000 (see Pension Rates Section below). On retirement, the full value of your Compulsory Account is transferred to a Pension Account in your name. Your Pension Account is invested in the CINSF Conservative Fund and will continue to receive the annual crediting rate attributable to the CINSF Conservative Fund.

Up to 25% of the retirement benefit can be taken as a lump sum withdrawal and the balance is used to determine your pension payment.

Please refer to the Members Information Handbook for details of your entitlements upon retirement, death or disability.

* As part of the Government's economic stimulus package, employee and employer contributions were reduced from 5% to 3% for the period 1 April to 30 June 2020, and then from 3% to 1% for the period 1 July to 30 September 2020, although employers and employees can choose to continue with the 5% contribution rate if they so wish.

Pension Rates

An actuarial review of the Fund was conducted for the year ended 31 December 2016; the findings of which were not immediately implemented as specific demographic data on the Cook Islands population was sought. The Report was finalised in November 2017 and the new pension rates implemented from 1 March 2018. A further actuarial review will be prepared as at 31 December 2019.

The full list of the current pension rates at various retirement ages is available from the Chief Executive Officer or on the Fund's website.

MEMBER BENEFITS

Critical Illness

The CINSF office has conducted a significant amount of research to consider a critical illness benefit for members. The reason for the research into this particular type of benefit is to understand the financial gap between the support provided by the Cook Islands Ministry of Health when a patient is referred to New Zealand, the support provided by the New Zealand Health Services and Social Welfare when that patient is in New Zealand, and the process and support provided to our foreign workers that do not have access to the New Zealand Health Service.

Most importantly, the Critical Illness benefit will require a clear definition for the types of illness or severity of accident that will meet the criteria of a critical illness benefit. The fact we are using the word 'Critical' in the title of the benefit is an indication that a benefit will be designed toward supporting the most serious illness and accident cases. The benefit will not cover elective surgeries.

The final design of the benefit will ensure a fair and equitable access to claim for the benefit by all members, irrespective of their citizenship. Further information will be communicated to members when the benefit is available.





Pension Threshold

The Pension threshold is the balance of money that a member is automatically paid out, in full, when they retire. This has been set at \$15,000 since the inception of the CINSF. If a member has a balance of \$15,000 or more at retirement, they are then entitled to the pension for life benefit.

During the Members General Meeting in October there was a request from the Workers Union for the CINSF to review the current \$15,000 Pension threshold. This request was consistent with continual counter requests from pensioners visiting the CINSF office seeking the same review.

The Board and Trustees have completed a review of the Pension threshold, and obtained independent advice from the Fund Actuary on the impacts of implementing an increase to it. The advice included a consideration to extend the pension threshold increase to enable existing pensioners with low balances the option to withdraw the remaining balance of their pension account. In 2020 the CINSF Board will make a final decision on a new Pension Threshold for implementation.

Member Statistics

Throughout the year the CINSF monitors the changes in membership, manages the member claims, and attends to the wide range of enquiries by both members and employers. To follow are the 3 main demographics of the CINSF membership:

Membership Movement

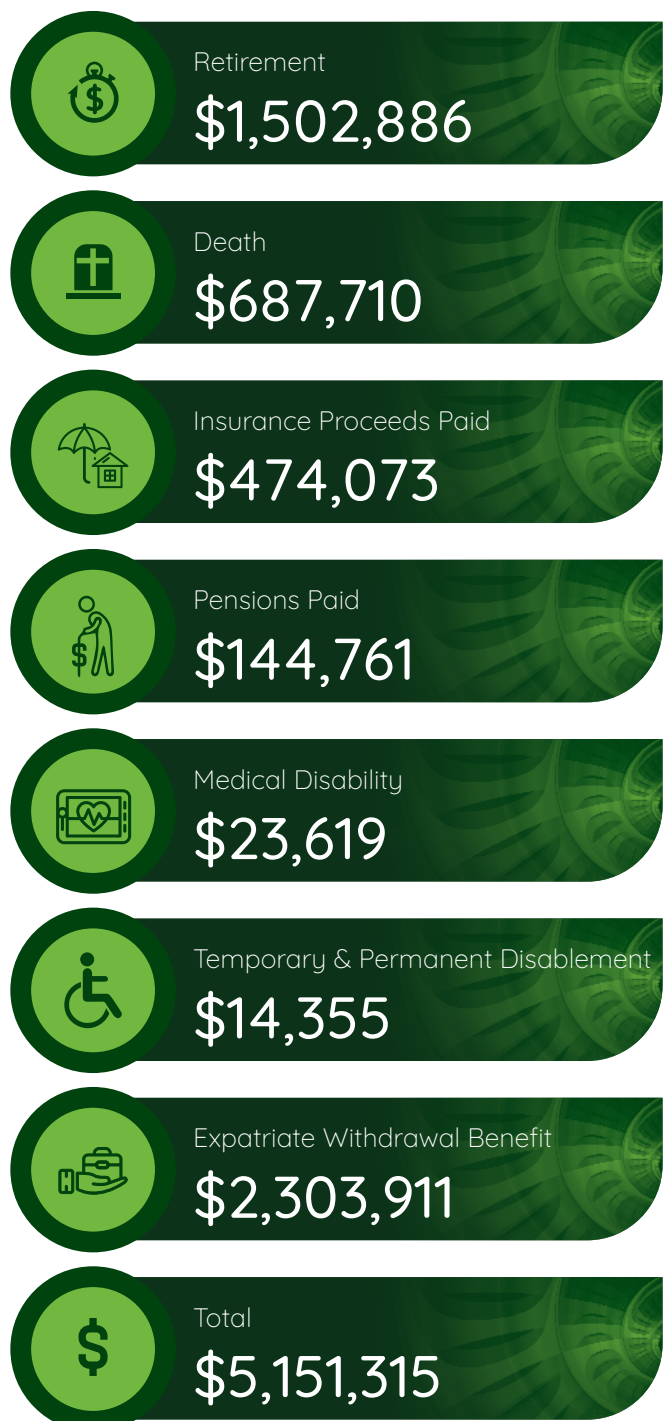
DETAILS	2019
Opening Membership	11290
New Members	974
New Pensioners	48
Subtotal	12312
Expatriate Withdrawal	163
Early Retirement	3
Retirement	90
- Total & Permanent Disablement	2
- Death Claim	33
Withdrawn Membership	13
Total Exits	304
Membership Total as at 31 December 2019	12008

Member Age Profile

DEMOGRAPHIC	MEMBERS
Members 20 years & under	550
Members 21 - 30 years	3163
Members 31 - 40 years	3174
Members 41 - 50 years	2588
Members 51 - 60 years	1928
Members 61 - 64 years	311
Members 65 + years	294
Total	12008

Benefit Payments

TYPE OF BENEFIT	AMOUNT PAID
Retirement	\$1,502,886
Death	\$687,710
Insurance Proceeds Paid	\$474,073
Pensions Paid	\$144,761
Medical Disability	\$23,619
Temporary & Permanent Disablement	\$14,355
Expatriate Withdrawal Benefit	\$2,303,911
TOTAL	\$5,151,315



Te Roro

This year we launched the first stage of our new CINSF software, named Te Roro, to migrate from a manual process of data collection, contribution payments and compliance, to an automated system. Te Roro has improved the efficiencies in the CINSF office through the reduction of manual entries, reduced the input errors from employers, and the rework related to those errors.

The first stage is more specifically for employers, using an online browser-based access. Te Roro provides a welcome dashboard for each employer that includes the current status of the declarations, any issues requiring action by the employer, and the current balance of the employers account. A side panel provides for a deeper dive into the employers information with an 'Employments' (staff) tab so an employer can add and end the employment of a member, a 'Declarations' tab that provides a history of the employers submissions,

and a 'Forms' tab that provides easy access for the employer to print any relevant forms to assist new employees to join as members or existing members to make claims.

Te Roro is operating in real time, so our staff can work with employers in different locations to assist them. The automation means that when an employer submits their contributions declaration and payment, a simple check to match the contributions data to the CINSF bank deposit is made in our office, before being submitted directly through to our New Zealand Administrator and invested into the members account.

Throughout 2020 this project will continue with incremental developments to further enhance efficiencies and long-term cost savings to the CINSF.



THE BOARD AND STAFF

Board

The CINSF Board is made up of five Board Members, a member elected representative, a Cook Islands Workers Association representative, a Chamber of Commerce representative, a Non-Chamber Employer elected representative, and the Financial Secretary. The Board members are appointed for a term of 3 years, and can be re-elected for further terms.

In 2017 the CINS Act was amended to provide for the removal of the Financial Secretary as a permanent Board representative. Following that amendment, the Board requested the Financial Secretary remain on the Board due to the specialist skill set and diversity in thinking to the Board.

The Board does have additional powers to add up to two more Board Members, and these appointments are made where the Board seeks to strengthen its governance in any specialized areas. The Board to date has not appointed any additional Board members.

CINSF Board Meetings

The CINSF Board convened 10 formal Board meetings in the 2019 year, and an additional 2 workshop sessions relating to the review and design of the new Investment Policies and Objectives for the CINSF.

The Board Members attend various investment seminars and courses relative to the industry issues the CINSF navigates, including but not limited to Investment Strategy, Equities, Bonds & Credit, Asset Allocations, and Investment Governance. The Board Members rotate between themselves attendances from year to year to stay abreast of the latest information. Attendance at these courses and seminars are in addition to the Board meetings and workshops.

Board Remuneration

Ordinary Board Member: \$10,000 per year.

Board Chairman: \$15,000 per year

Staff



Zane Sanderson
Risk & Compliance
Manager.

This year we welcomed Zane Sanderson as the new Risk & Compliance Manager. Zane grew up in Rarotonga, and after a period of time in the United States has returned home with his partner and son.



Nooke Thomas

We also farewell one of our longest serving employees Mrs Nooke Thomas, who has been with the CINSF for almost 10 years, and is well known to all our members and employers who have engaged with her in Client Services. Nooke is making the change to free up more time for her personal pursuits and

we thank her for her long service to the Fund and wish her all the very best for her future.

ORGANISATIONAL CHART

CINSF Board of Directors



Mrs Anna Koteka
Members Representative



Mr John Tini
Cook Islands Workers
Association Representative



Mrs Tatiana Burn
Cook Islands Chamber of
Commerce Representative



Mr Heinz Matysik
Non Chamber of
Commerce Employer
Representative



Mr Garth Henderson
Cook Islands Financial
Secretary



Damien Beddoes
Chief Executive Officer



Twinn Joseph
Client Services Manager



Zane Sanderson
Risk & Compliance
Manager



Jacqueline Urlich
Finance & Investment
Manager



Terai Nga
Client Services Officer



Nooke Thomas
Client Services Officer



Leah Tumutoa
Finance Officer

INVESTMENT

Investment Returns

The CINSF recorded its highest return since its inception, with the Growth Fund declaring an 18.1% return to members. This return reflects the market recovery in early 2019 of the loss it accrued in late 2018, and a strong finish to the equity markets at the end of 2019.

The Conservative Fund, which represents the vast majority of our members and investment balances, also produced a solid 9.3% return to members, and the Balanced Fund that has a risk profile positioning it between the Conservative and Growth Funds, declared 14.4%.



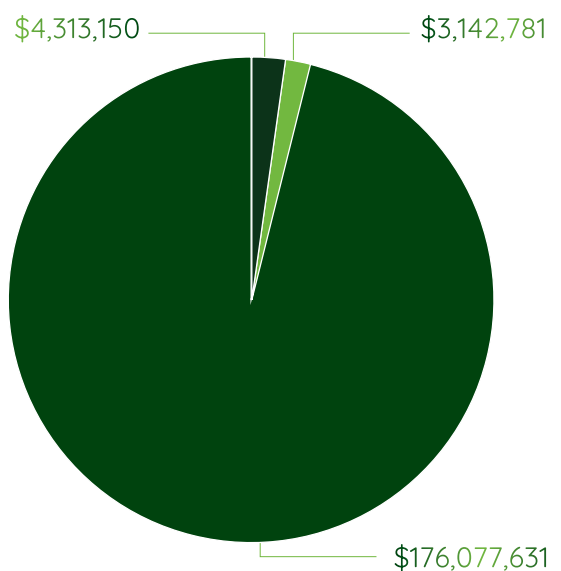


Member Investment Options

The team at CINSF continue to provide regular presentations to employers and their staff to raise awareness on the investment options available.

For the vast majority of members, no investment option was selected, and they remain in the default option that is the Conservative Fund. The concern this raises is that we have 6,887 members with an investment horizon of between 20 - 40 years that are invested in the Conservative Fund, the lowest risk and return option. Our scenario models show a significantly lower balance at retirement when comparing a 20 year old person investing in the Conservative Fund compared to the Balanced or Growth Fund for a period of 40 years.

It is extremely important to us to raise awareness of the investment options to existing members, and look to engage with our schools to increase the financial literacy of our future members.



- Conservative
- Balanced
- Growth

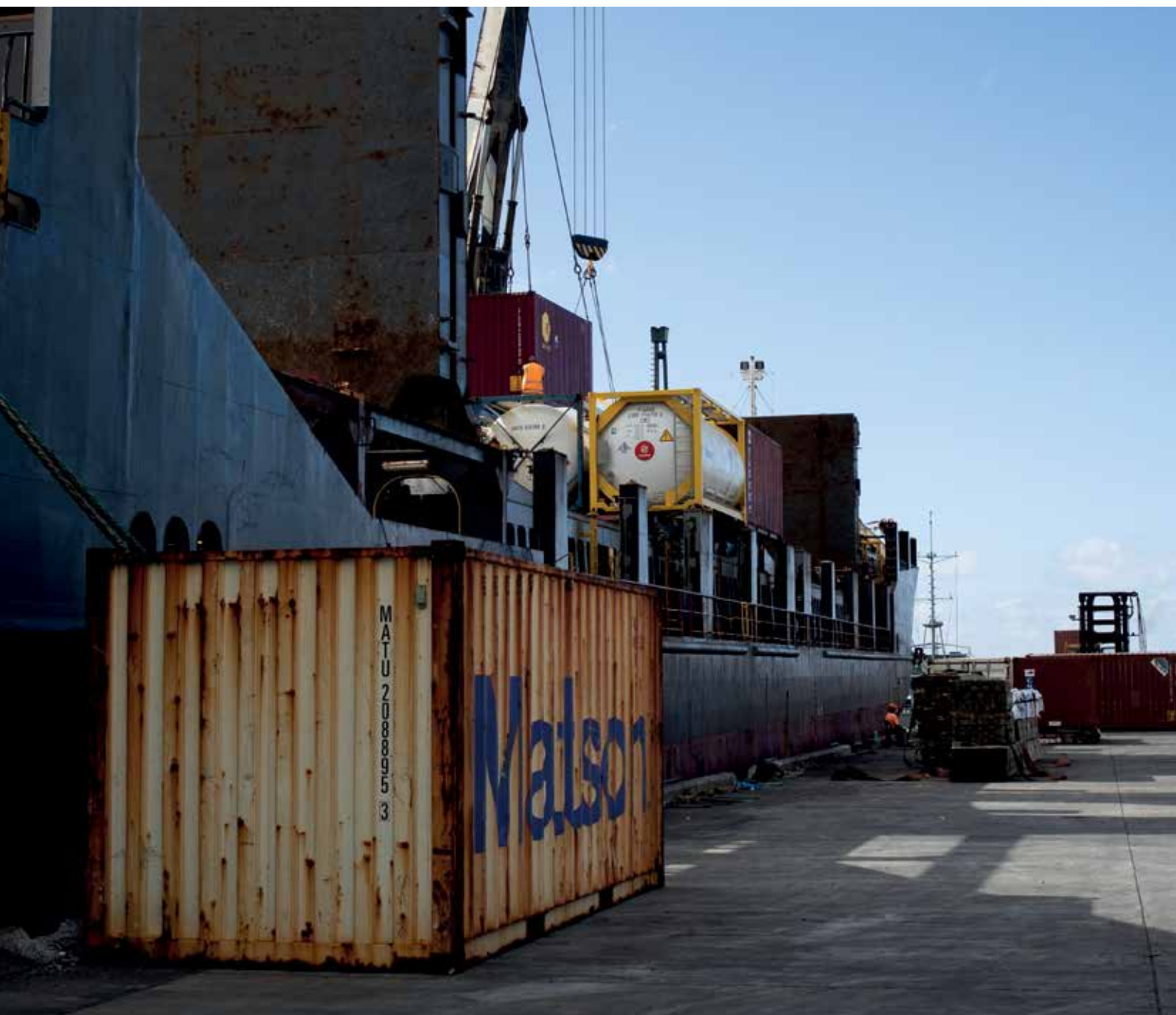
Statement of Investment Policies and Objectives (SIPO)

The SIPO is the guiding document for the Board and Trustees in the governance of the CINSF investments, and this year we completed an extensive review to ensure it remains relevant in the current and future investment landscape. The CINSF is continuing to conduct research into the current asset allocations and asset classes, in particular the exposures to the New Zealand market, and our New Zealand dollar hedging policy.

The SIPO now provides for the CINSF investment portfolio to have an asset allocation to investments in the Cook Islands. Any investments made in the Cook Islands are anticipated to be Direct Investments, where the CINSF is most likely to be a major shareholder.

Direct Investments

The CINSF has established policies and an investment framework to assess any direct investment opportunities within the Cook Islands, and whilst opportunities have arisen during 2019, the Fund currently has no investments in any Cook Islands entities.





PORTFOLIO SUMMARY

Details of the three CINSF Investment Funds available to Members are set out below.

CINSF CONSERVATIVE FUND VALUE OF FUNDS 31 Dec 2019: \$176,077,631 31 Dec 2018: \$148,464,204			The investment policy and objective of the Fund is to produce rates of return over time in excess of inflation by investing a small percentage of assets in growth assets while keeping the probability of a negative return at low levels.
Asset Class	Range	Allocation as at 31 December 2019	
Pacific Equities	8% - 10%	11%	
Global Equities	16% - 24%	22%	
Growth Assets	25% - 35%	33%	
NZ Cash	0% - 5%	0%	
Pacific Fixed Interest	12% - 16%	13%	
Global Fixed Interest	52% - 60%	54%	
Income Assets	65% - 75%	67%	
CINSF BALANCED FUND VALUE OF FUNDS 31 Dec 2019: \$4,313,150 31 Dec 2018: \$2,314,313			The investment policy and objective of the Fund is to produce rates of return in excess of inflation appropriate for a long-term (7 years) investment strategy for retirement.
Asset Class	Range	Allocation as at 31 December 2019	
Pacific Equities	18% - 22%	21%	
Global Equities	36% - 44%	42%	
Growth Assets	55% - 65%	63%	
NZ Cash	0% - 5%	0%	
Pacific Fixed Interest	6% - 10%	7%	
Global Fixed Interest	28% - 36%	30%	
Income Assets	35% - 45%	37%	
CINSF GROWTH FUND VALUE OF FUNDS 31 Dec 2019: \$3,142,781 31 Dec 2018: \$1,903,641			The investment policy and objective of the Fund is to produce rates of return over time well in excess of inflation by investing the majority of the assets in growth assets (e.g. equities).
Asset Class	Range	Allocation as at 31 December 2019	
Pacific Equities	24% - 28%	27%	
Global Equities	50% - 58%	55%	
Growth Assets	75% - 85%	82%	
NZ Cash	0% - 5%	0%	
Pacific Fixed Interest	2% - 6%	4%	
Global Fixed Interest	12% - 20%	14%	
Income Assets	15% - 25%	18%	

Asset Classes

The Fund seeks exposure to different classes of investments by investing in investment funds managed by Russell Investment Group Limited. See the following table.

Asset Class	Russell Investments Managed Fund	Benchmark
Pacific Equities	Russell Investments NZ Shares Fund	S&P/NZX 50 Index (gross) and including imputation credits
Global Equities	Russell Global Opportunities Fund Class B - \$NZ Hedged	MSCI ACWI Net Index 100% NZD Hedged
Pacific Fixed Interest	Russell Investments NZ Fixed Interest Fund	Bloomberg NZ Bond composite index (from 28 June 2019)
Global Fixed Interest	Russell Global Bond Fund - Class B	Bloomberg Barclays Global Aggregate Index (NZD Hedged)

Further information on the Russell Investments Managed Funds is set out below.

Russell Investments New Zealand Shares Fund

The Russell Investments New Zealand Shares Fund aims to provide a total return, before costs and tax, higher than the benchmark over the long term (over 3 years) by having an underlying exposure to a diversified portfolio of predominately New Zealand Shares.

For the year ended 31 December 2019 the return (gross of tax and fees) of the fund was **29.9%**.

The fund is a New Zealand registered Managed Investment Scheme.

Top 10 Holdings as at 31 December 2019	
A2 Milk Company Ltd	11.3%
Fisher and Paykel Healthcare Ltd	9.1%
Spark New Zealand Ltd	8.6%
Contact Energy Ltd	6.7%
Auckland Inter. Airport Ltd	6.2%
Meridian Energy Ltd	5.8%
Mainfreight Ltd	5.0%
Fletcher Building Ltd	3.1%
Metlifecare Ltd	3.1%
Kiwi Property Group Ltd	2.7%

Russell Global Opportunities Fund (\$NZ Hedged – Class B)

The Russell Global Opportunities Fund (\$NZ Hedged – Class B) aims to provide a total return, before costs and taxes, higher than the benchmark over the long term by having an underlying exposure to a diversified portfolio of international shares, targeting a position of being fully hedged back to New Zealand Dollars.

The investment fund invests predominately in a broad range of international shares listed on stock exchanges in developed as well as emerging international markets. Derivatives may be used to obtain or reduce exposure to securities and markets, to implement investment strategies and to manage risk. The Fund targets a position of being fully hedged back to New Zealand Dollars.

The fund is an Australian registered Managed Investment Scheme.

For the year ended 31 December 2019 the return (gross of tax and fees) of the fund was **25.8%**.

Market Exposure – as at 31 December 2019	
Financials	20.9%
Information Technology	17.5%
Health Care	11.9%
Consumer Discretionary	9.5%
Consumer Staples	8.1%
Industrials	8.2%
Communication Services	8.1%
Energy	5.2%
Materials	5.1%
Utilities	2.9%
Real Estate	2.2%
Other	0.4%

Russell Investments NZ Fixed Interest Fund

The Russell Investments NZ Fixed Interest Fund aims to provide a total return, before costs and tax, higher than the benchmark over the long term (over 3 years) by having an underlying exposure to a diversified portfolio of fixed interest securities.

The investment policy of the fund is to be invested in fixed interest securities denominated in New Zealand currency

For the year ended 31 December 2019 the return (gross of tax and fees) of the fund was 5.4%

The fund is a New Zealand registered Managed Investment Scheme.

Top issuers as at 31 December 2019	
NZ Government	31.1%
NZ Local Government	11.4%
NZ Government Inflation Index Bonds	4.7%
ANZ Bank	3.7%
Housing New Zealand	3.2%
Kiwibank	3.0%
Auckland City Council	2.7%
Westpac	2.5%
Q-Card Trust	2.2%
Bank of New Zealand	2.0%

Russell Global Bond Fund – Class B

The Russell Global Bond Fund – Class B aims to provide a total return, before costs and tax, higher than the fund's benchmark over the medium term by providing exposure to a diversified portfolio of predominately fixed income securities denominated in foreign currencies and largely hedged into New Zealand Dollars.

The investment fund invests predominately in debt securities issued by supranationals, international governments, quasi-governments, agencies and corporates as well as structured credit securities including mortgage and asset backed securities. The investment fund may also be exposed to low grade or unrated debt securities, emerging markets and currency to a limited extent. Derivatives may also be used to obtain or reduce exposure to securities and markets, to implement investment strategies and to manage risk. Foreign currency exposures are largely hedged back to New Zealand Dollars.

The fund is an Australian registered Managed Investment Scheme.

For the year ended 31 December 2019 the return (gross of tax and fees) of the fund was 7.9%

Market Exposure as at 31 December 2019	
Government and Cash	42.8%
Residential Mortgage Backed Securities	15.4%
Emerging Market Debt	11.7%
IG Finance	10.4%
IG Industrials	8.2%
Asset Backed Securities	5.4%
Commercial Mortgage Backed Securities	3.8%
Government Related	2.9%
High Yield	2.1%

Note: Allocations listed above can change on a daily basis.

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1 ISSUES TO RESOLVE

VIEW ALL

Declarations

1 UNPAID 1 DRAFT 3 MISSING

VIEW ALL

Balances

DEBT
\$91.20

2019 - MARKET REVIEW

By Guy Fisher and Ayaz Mohamed



Share markets finished 2019 strongly, with the global and New Zealand share markets delivering 25.4%¹ and 31.6%², respectively. Both markets touched all-time highs during the year, with US companies, Microsoft and Amazon, joining Apple in the US\$1 trillion market capitalisation club. The enduring strength of these high-quality consumer and technology companies has been a feature of the market in recent years, as these companies, along with Alphabet (the parent company of Google), consolidate their leadership positions and become increasingly integrated into modern life.

While some segments of the market were supported by improving business fundamentals, the strong performance of share markets can also be attributed to further interest rate cuts by central banks. In New Zealand, the Official Cash Rate (OCR) was cut to 1.0%, its lowest ever, as policy makers attempted to stimulate demand in the local economy which has suffered due to weakening global economic growth and low business confidence. The low global bond yields due to the OCR cut, led to New Zealand being one of the best performers in the equity space, attracting money into the high yield and high earnings growth companies. These include Fisher & Paykel Healthcare Limited, Ryman Healthcare Limited and Goodman Property Trust.

Rates were also cut in the United States as policy makers reacted to weaker global manufacturing activity and the negative fallout from the ongoing trade frictions between the US and China. Elsewhere, the European Central Bank (ECB) also cut rates and introduced fresh stimulus measures, most notably the resumption of its quantitative easing, or money printing programme. This accommodative policy contributed to a very strong year for fixed interest securities, with the global market returning 7.5%³ and the local NZ market returning 5.3%⁴.

The strong results from both shares and fixed interest securities meant that most investors had something to be happy about in 2019. Cook Islands National Superannuation Fund's (CINSF) Conservative, Balanced and Growth options all performed at the high end of expectations. Results over the longer term are also solid and in line with performance benchmarks and expectations, with the higher-risk options outperforming the more cautiously positioned funds.

While it is gratifying to be able to report strong investment returns for 2019, investing for retirement is a long-term journey, so we encourage members to keep sight of the end goal rather than get too focused on short-term results, pleasing as they have been in recent times.



Guy Fisher
Senior Consultant



Ayaz Mohamed
Analyst

1 Source: MSCI, Currency: NZD, MSCI ACWI Index- 100% Hedged to NZD – Net.

2 Source: S&P, Currency: NZD, S&P/NZX 50 Index (gross) and including imputation credits.

3 Source: Bloomberg, Currency: NZD, Bloomberg Barclays Global Aggregate Index (\$NZ Hedged).

4 Source: Bloomberg, Currency: NZD, Bloomberg NZ Bond Composite Index.

The beginning of 2020 seemed to offer a continuation of last year, as progress in the United States-China trade talks and accommodative central banks led to a strong start to the year for financial markets. However, sentiment changed dramatically in mid-February as investors woke up to the very real impact Covid-19 was having on the global economy. Since that time, the Covid-19 pandemic has upended life as we know it, sending large swathes of the globe into lockdown and effectively shuttering the global economy. Almost every country is currently experiencing a once-in-a-generation health emergency as Covid-19 spreads rapidly through exposed populations. Unemployment levels are rising steeply while many sectors of the economy are currently inactive.

The impact of this on investment markets has been severe and there remains significant uncertainty as to the path forward. The ultimate impact of

the virus and its large policy response on both the global economy and financial markets is essentially unforecastable. We know we will see record declines in economic activity in the coming months, and volatility in markets will likely remain high, but in the face of these unprecedented events, governments and central banks have been incredibly proactive in taking steps they believe will provide support.

Many countries are now also starting to move towards relaxing lock-down restrictions which has the potential to generate a sharp rebound in economic growth. While there are undoubtedly significant challenges ahead there are reasons for optimism. We have seen this in share markets which have rallied sharply since their late March lows, as investors turn their focus to how the world will look once the immediate health emergency is over.

Important information

The information contained in this publication was prepared by Russell Investment Group Limited. It has been compiled from sources considered to be reliable, but is not guaranteed. This publication provides general information only and should not be relied upon in making an investment decision. Before making an investment decision, you need to consider whether this information is appropriate to your objectives, financial situation and needs. All investments are subject to risks. Past performance is not a reliable indicator of future performance.

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To the Members of the Cook Islands National Superannuation Fund

Opinion	<p>The summary financial statements of the Cook Islands National Superannuation Fund (the 'Fund'), which comprise the summary statement of net assets as at 31 December 2019, and the summary statement of changes in net assets and summary statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of the Fund for the year ended 31 December 2019.</p> <p>In our opinion, the accompanying summary financial statements, on pages 25 to 26, are consistent, in all material respects, with the audited financial statements, in accordance with FRS-43: Summary Financial Statements issued by the New Zealand Accounting Standards Board.</p>
Summary financial statements	<p>The summary financial statements do not contain all the disclosures required by New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report.</p>
The audited financial statements and our report thereon	<p>We expressed an unmodified audit opinion on the audited financial statements in our report dated 25 May 2020.</p>
Other information	<p>The trustees are responsible on behalf of the Fund for the other information. The other information comprises the information in the Annual Report that accompanies the summary financial statements and the audit report.</p> <p>Our opinion on the summary financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.</p> <p>Our responsibility is to read the other information and consider whether it is materially inconsistent with the summary financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.</p>
Trustees' responsibilities for the summary financial statements	<p>The trustees are responsible on behalf of the Fund for the preparation of the summary financial statements in accordance with FRS-43: Summary Financial Statements.</p>
Auditor's responsibilities	<p>Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) 810 (Revised): Engagements to Report on Summary Financial Statements ('ISA (NZ) 810').</p> <p>Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in the Fund. These services have not impaired our independence as auditor of the Fund.</p>
Restriction on use	<p>This report is made solely to the Fund's members, as a body. Our audit has been undertaken so that we might state to the Fund's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's members as a body, for our audit work, for our audit report, for this report, or for the opinions we have formed.</p>

Deloitte Limited

Auckland, New Zealand
25 June 2020

This audit report relates to the summary financial statements of the Cook Islands National Superannuation Fund (the 'Fund') for the year ended 31 December 2019 included on the Fund's website. The Trustees are responsible for the maintenance and integrity of the Fund's website. We have not been engaged to report on the integrity of the Fund's website. We accept no responsibility for any changes that may have occurred to the summary financial statements since they were initially presented on the website. The audit report refers only to the summary financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these summary financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the summary financial statements and related audit report dated 25 June 2020 to confirm the information included in the summary financial statements presented on this website.

SUMMARY FINANCIAL STATEMENTS

For the year ended 31 December 2019

	2019 NZ \$	2018 NZ \$
Summary Statement of Changes in Net Assets		
Net Investment Gain/(Losses)	19,614,772	(752,354)
Plus: Other Income	474,073	415,998
Less: Other Expenses	(2,065,608)	(1,837,405)
Surplus/(Deficit) Before Taxation and Membership Activities	18,023,238	(2,173,761)
Income Tax Expense	(57,131)	(43,543)
Surplus/(Deficit) After Taxation and Before Membership Activities	17,966,107	(2,217,304)
Membership Activities		
Member Contributions	8,641,462	7,107,833
Member Voluntary Contributions	451,280	335,529
Contributions Yet To Be Allocated	581,359	1,032,717
Employer Contributions	8,641,299	7,106,834
Total Contributions	18,356,967	15,582,913
Less: Benefits Paid	(5,155,893)	(3,360,668)
Net Membership Activities	13,201,074	12,222,245
Increase In Net Assets During The Year	31,167,181	10,004,941
Summary Statement of Net Assets		
Assets		
Financial Assets - At Fair Value Through Profit or Loss	183,533,562	153,182,154
Other Assets	5,786,388	4,885,972
Total Assets	189,319,950	158,068,126
Less: Total Liabilities	(1,327,857)	(1,243,214)
Net Assets Available For Benefits	187,992,093	156,824,912
Vested Benefits	185,670,556	156,109,571
Summary Statement of Cash Flows		
Net Cash Flows from Operating Activities	10,291,739	10,775,110
Net Cash Flows from Investing Activities	(9,871,345)	(10,980,650)
Net Increase/(Decrease) in Cash Held	420,394	(205,540)
Cash at Beginning of Year	3,126,264	3,331,804
Cash At End of Year	3,546,658	3,126,264

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

For the year ended 31 December 2019

A summary of the Fund's audited financial statements for the year ended 31 December 2019 which were authorised for issue by Public Trust (the "Trustee") on 25 May 2020 is shown on page 10. The summary financial statements have been extracted from the full financial statements for the year ended 31 December 2019 which were authorised for issue by the Trustee on 25 May 2020. The auditor issued an unmodified audit report on the full financial statements dated 25 May 2020.

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 New Zealand general accepted accounting practice and they comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") as appropriate for profit-oriented entities. The full financial statements also comply with International Financial Reporting Standards. The Fund has made an explicit and unreserved statement of compliance with International Financial Reporting Standards in note 2 to the full financial statements.

The full financial statements and the summary financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Fund operates.

The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements of the Fund as they do not include all of the disclosures provided in the full financial statements. The summary financial statements have been reported at a total level. A copy of the full financial statements can be obtained, free of charge, from the Cook Islands Office located on the ground floor of the ANZ Building, Avarua, Rarotonga, Cook Islands.

The auditor has examined the summary financial statements for consistency with the audited full financial statements and has issued an unmodified audit report on the summary financial statements which are set out on page 25.

Subsequent Events

Significant events after balance date disclosed in the full financial statements were: the impact of Covid-19, a reduction in contribution rates, and the VAT review.

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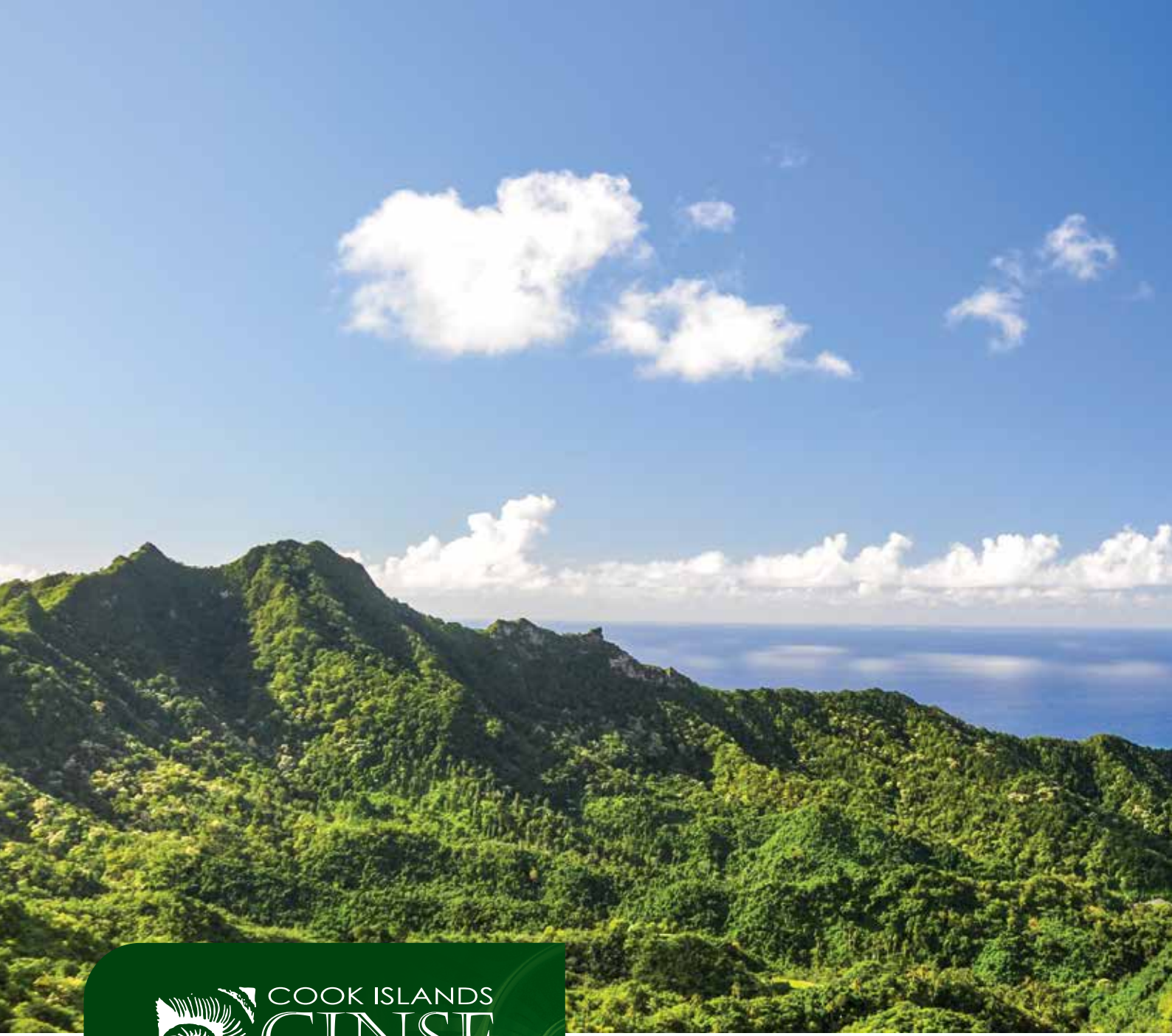


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