

ANNUAL REPORT

To the Members for the year ended 31 December 2021



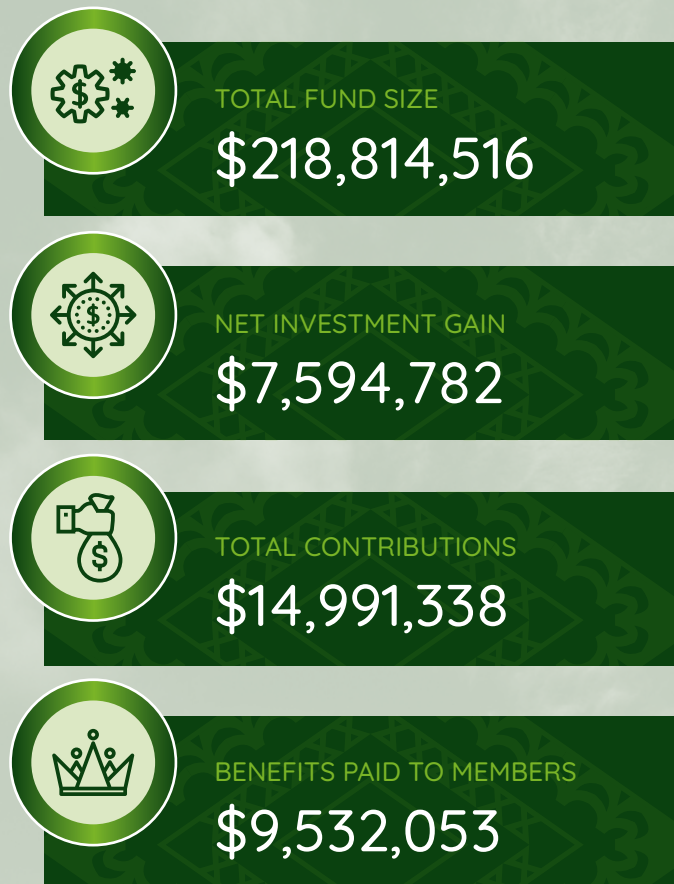
CINSF

COOK ISLANDS NATIONAL SUPERANNUATION FUND

An aerial photograph of a tropical coastline. On the left is a body of water with some green algae. A dense line of palm trees runs along the shore. To the right of the trees is a paved road with white dashed lines. Further right is a thick forest of green trees, with palm trees scattered throughout. The text 'SUPPORTING SECURITY IN RETIREMENT...' is overlaid in white serif font on the right side of the image.

SUPPORTING
SECURITY
IN RETIREMENT...

2021 HIGHLIGHTS



DECLARED RETURNS TO MEMBERS

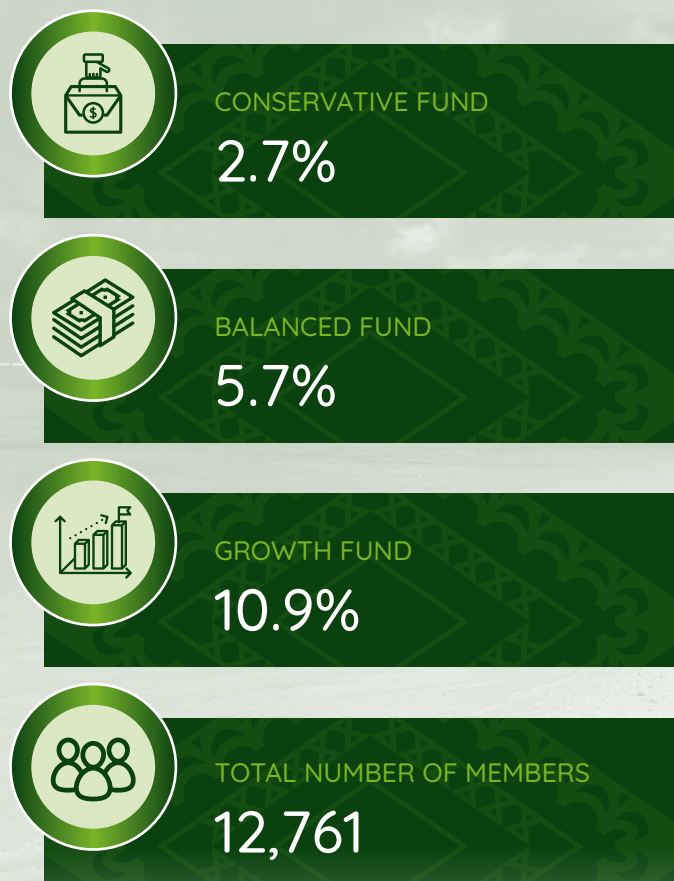


TABLE OF CONTENTS

CEO Letter to Members	4
Trustee Letter	6
Message from Trustee	
Fund Activity	
CINSF Fund Performance	
How the Fund Works	
Changes to Pension Benefits	
New Employers	
Member Benefits	8
Pension Benefits	
Pension Investment	
Pensioner Terminal Illness	
Pension Benchmark	
Critical Illness	
Members General Meeting	9
Member Statistics	10
Membership Movement	
Member Age Profile	
Investment Demographic	
Benefit Payments	
The Board	11
Board	
Current Board Members	
CINSF Board Meetings	
Board Remuneration	
Staff	12
Organisational Chart	13
Investment	23
Investment Options	
Portfolio Summary	26
Asset Classes	
Russell Investments New Zealand Shares Fund	
Russell Global Opportunities Fund (\$NZ Hedged – Class B)	
Russell Investments NZ Fixed Interest Fund	
Russell Global Bond Fund – Class B	
2021 - Market Review	22
2022 - Market Outlook	23
Auditor's Report	26
Summary Financial Accounts	27
Notes to the Summary Financial Statements	28
Directory	29

CEO LETTER TO MEMBERS



Kia Orana Koutou,

2021 was another year of disruption as COVID19 continued to impact global and our national economies.

The CINSF Executive Team took advantage of the restricted travel to hold several workshops with the Board of Directors, the first was to complete a comprehensive review of the Fund objectives, and the second to consider adjustments to our long-term strategies to ensure those objectives would be achieved.

As a Fund that supports members as they accumulate savings up to the point of retirement, then manages their funds through a decumulation phase by providing a pension, we truly support our members through their entire adult life. With a clear purpose of supporting our members financial security in retirement, we define ourselves as a pension scheme.

Many may wonder why this is important. It is because this guides our investment beliefs, enables us

to set our objectives to ensure members can accumulate as much savings as possible, provide additional features to support members savings, and to integrate factors to enhance the pension benefit through our portfolio construction and investment style.

Following the workshops, our Executive Team set about engaging with our partners to research and develop strategies that support accumulation and decumulation phases, with an aim to deliver cost savings for members during the accumulation phase to maximise returns, and to then identify types of investments to support improved pension rates during the decumulation phase. The results of the research conducted will be implemented in the investment strategies in the next financial year.

The Board also approved improvements to the Terminal Illness Benefit and introduction of a Critical Illness Benefit. The Critical Illness benefit is expected to be ready for launch in the second half of 2022 and is designed to support those members being referred overseas for specialist health care. This benefit acknowledges the changing health related issues our members are facing.

The Fund continued to provide financial support throughout 2021 to both employers and their employees by reducing the contribution rates for those businesses that qualified for the Cook Islands Governments Business Support. The Fund also continued to manage the payment process under the Cook Islands Government Economic Response Plan.

While businesses continued to be affected during the year, the Fund still received over \$14m in employer and employee contributions, and almost \$800k in voluntary contributions demonstrating to us that members remain very aware of the need to continue to save wherever possible.

This year the Fund held its Members General Meeting, providing members and stakeholders the opportunity to engage with the Board and Executive. Whilst only attracting a small attendance the Fund remains committed to good governance and providing an open forum for discussion on key member issues.

From me personally I would like to extend my thanks to the CINSF Board and Trustee for their support in what has been a challenging year. I would also like to acknowledge our Investment Managers, Administrators, Service Providers, and most importantly the Staff here in our Cook Islands Office, for all their hard work to support our people. Finally to our members, I appreciate the confidence and support you've expressed to our team to continue to manage your retirement savings.

Meitaki Maata e Kia Manuia

Damien Beddoes
Chief Executive Officer



TRUSTEE LETTER

Message from 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 2021. The Annual Report is provided to keep you informed of the Fund’s financial results during the year and your investment in the Fund.

Your individual member statement which lists the value of your benefits as at 31 December 2021 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 \$15.0m (2020: \$11.4m). Benefit payments were \$9.5m (2020: \$4.3m). The increase in benefit payments from 2020 was largely due to a number of existing Pensioners opting to withdraw their Pension Account balances, if eligible to do so, following changes made to the Trust Deed that came into force on 1 April 2021. (see Changes to Pension Benefits and Trust Deed section below). In addition, death benefits paid and related insurance benefits paid increased from \$190,000 in 2020 to \$1.3m in 2021.

Despite the COVID-19 pandemic and volatile investment markets, the net asset value of the Fund grew by \$10.6m to reach \$218.8m (2020: \$208.2m). Also, 421 new members joined the Fund, bringing the total membership to 12,761. Pensioners fell from 331 at the end of 2020 to 254 as at the end of 2021.

The Conservative Fund is the default Fund where new members are allocated to if they haven’t provided an investment selection. From 1 January 2022, new Members joining the Fund will be allocated to the Balanced Fund if they do not provide an investment selection.

CINSF Fund Performance

The table below sets out the interest rates to be credited to Member Accounts for the year ended 31 December 2021.

CINSF Investment Fund	Interest Rate Year ended 31 December 2021 (%)
CINSF Conservative Fund	2.7%
CINSF Balanced Fund	5.7%
CINSF Growth Fund	10.9%

The Investment Fund returns are a combination of the change in market value of the Funds plus any distributions that are reinvested back into the Funds.

As noted in the 2020 Annual Report, the Fund was not immune to the impact of COVID-19 pandemic on the Fund’s investments. Despite the volatility of investment markets, the Fund has generated positive returns over the year. Members will be aware that the pandemic is ongoing and that geo-political events and inflationary pressures have negatively impacted Fund returns post balance date. On the advice of the Fund’s actuary, the Trustee and the Board have opted to retain the Reserve Account balance at \$2,113,597 (2020: \$2,058,030) in the event there is a need to offset any future investment losses.

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 managers, investment staff at the CINSF Office and with independent investment consultants.

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 5%. 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. In financial years where there are investment losses, Compulsory Accounts could show negative returns 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.

Changes to Pension Benefits and Trust Deed

Effective from 1 April 2021 the following amendments were made to the Trust Deed that amended provisions relating to pension benefits.

- i An increase of the minimum balance of the Compulsory Account from \$15,000 to \$45,000 that will allow members, when they reach their retirement age, to withdraw their Compulsory Account or opt for a pension.
- ii To allow existing Pensioners whose Compulsory Account balance were less than \$45,000 at the time they became a Pensioner to withdraw the balance of their Pension Account.
- iii To allow Pensioners who are suffering from a Terminal Illness to withdraw the full balance of their Pension Account.

On retirement up to 25% of the Compulsory Account can be taken as a lump sum withdrawal and the balance is used to determine your pension entitlement; i.e. lump sum repayment or monthly pension payment.

The Members Product Information Handbook will be updated to include new details of benefit entitlements upon retirement, death or disability.

Pension Rates

An Actuarial review of the Fund was conducted for the year ended 31 December 2019. The report was finalised in August 2020 and an implementation date of 28 February 2021 for the new pension rates was determined. Under legislation, an actuarial review is required at a minimum 3 year period since the previous review. The next Actuarial review is scheduled for 31 December 2022.

The full list of current pension rates is available from the CINSF Office or the Fund’s website.

Trustee Certificate

The Trustee certifies:

- i that all benefits required to be paid from the Fund in accordance with the terms of the Trust Deed have been paid.
- ii The market value of the assets of the Fund as at the close of the financial year exceeded the total value of benefits that would have been payable had all contributors to the Fund ceased to be contributors at that date and had provision been made for the continued payment of all benefits being paid to contributors and other beneficiaries as at the close of the financial year.
- iii At no time during the financial year were there any assets of the Fund invested directly or indirectly in any employer who is a party to the Fund or in any company or entity associated with any such employer.

For and on behalf of Public Trust

MEMBER BENEFITS

Pension Benefit

There has been several changes to the Pension Benefits as we continue to focus on providing a meaningful income to members in retirement to support their financial security.

When the Fund was initially debated in Parliament, it concluded that the Fund should be established with the purpose of providing a pension benefit to members that may eventually replace the Government Pension.

The original amount the Fund aimed to pay out to members as a minimum pension was 50% of the Government Pension. At that time the Government Pension was \$200 per month, and the Fund aimed to provide a minimum of \$100 per month. The Fund therefore set a minimum pension threshold of \$15,000 and if a member's balance was less than this they could be paid out in full and exit the fund.

Today the Government Pension is \$500 per month, and the Fund has adjusted the minimum pension threshold accordingly with the aim to provide \$250 per month as a pension. The minimum pension threshold has been adjusted to \$45,000 to reflect this.

Pension Investment

To manage the liability risks on the Fund, the individual pensioner accounts and the pension reserve account have been transferred from the Conservative Fund to the Balanced Fund. This was done on the advice of the Fund's Actuaries, with the objective of earning higher returns to meet the future Pension liabilities.

Pensioner Terminal Illness

A Terminal Illness withdrawal option has been introduced as an additional benefit available for pensioners. This benefit has always been available to members prior to retirement and has now been extended to Pensioner Members. Pensioners that are diagnosed with a terminal illness can apply to withdraw all their funds.

Pension Benchmark

The Fund is focused on the Pension Benefit with a long term objective to stabilize the reduction in the pension rate, and to introduce investments and features that can improve the pension benefit for members.

The Pension Benefit was independently reviewed by Craig Thorburn, Lead Financial Sector Specialist, (World Bank), who issued a report on the review findings and, using an industry standard money weighted return measurement, found that the Funds Pension Benefit is providing very good value for money and is well placed amongst global pension providers.

As part of the Funds journey to meet Global Best Practices an independent review of the Pension Benefit will be conducted every 3 years, in line with the 3 yearly actuarial review of pension rates, to measure the Funds Pension Benefit against Global industry pensions.

Critical Illness

A new benefit to be available for members that are contributing to the scheme will be a critical illness benefit. The new benefit is to provide contributing members with a small cash support payment from their compulsory account to assist with medical costs associated with a medical referral overseas.

The full policy and procedures are expected to be implemented in the second half of 2022 and will be communicated to members.

MEMBERS GENERAL MEETING

The Fund held its Members General Meeting in October, with a public meeting in Rarotonga and another in Aitutaki.

The Members Meeting in Rarotonga drew a small attendance but provided the opportunity for members to raise several issues mainly relating to foreigner interests to the Board. The meeting in Aitutaki was very well attended and provided insights for the Board more on the local interests and issues relating to the Fund.

The next Members General Meeting will be held in 2023.

MEMBER STATISTICS

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

MEMBERSHIP MOVEMENT

2021 Opening Membership	12,688
New Members	421
New Pensioners	33
Subtotal	13,142
Expatriate Withdrawal	136
Early Retirement	14
Retirement	191
- Total & Permanent Disablement	2
- Death Claim	24
Withdrawn Membership	14
Total Exits	381
Membership Total as at 31 December 2021	12,761

MEMBER AGE PROFILE

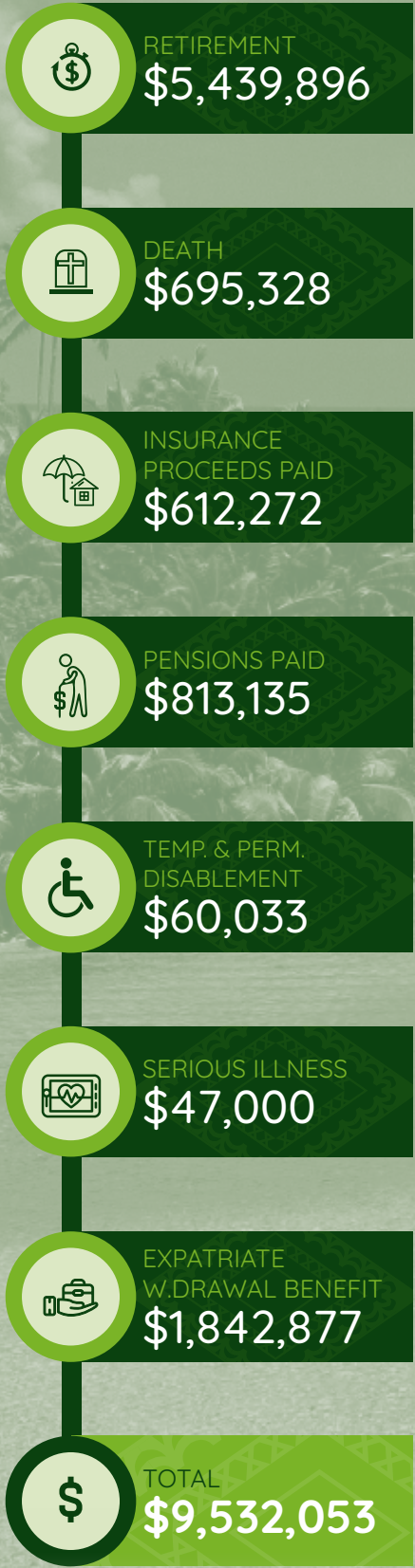
Demographic	Members
Members 20 years & under	491
Members 21 - 30 years	3102
Members 31 - 40 years	3483
Members 41 - 50 years	2770
Members 51 - 60 years	2219
Members 61 - 64 years	364
Members 65 + years	332
Total	12,761

INVESTMENT DEMOGRAPHIC

Demographic	Balance
Members 20 years & under	\$571,597
Members 21 - 30 years	\$17,909,029
Members 31 - 40 years	\$47,568,395
Members 41 - 50 years	\$62,719,704
Members 51 - 60 years	\$59,935,733
Members 61 - 64 years	\$9,879,125
Members 65 + years	\$7,677,437
Total	\$206,261,020

Note: balances exclude 2021 declared interest returns to members

BENEFIT PAYMENTS



THE BOARD

Board

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

The Board has the power under the Act to add additional Board Members, and these appointments are made where the Board seeks to strengthen its governance in any specialized areas. The Board has appointed Mr Alan Taylor to the Board. Alan brings significant experience to the Fund particularly in the Trust and Investment fields having held the position of Managing Director and CEO at EFG Wealth Solutions, and EFG Asset Management, Singapore, before returning to the Cook Islands where he led the Financial Services Development Authority.

THE CURRENT BOARD MEMBERS ARE:



Mrs Anna Koteka
Members Representative



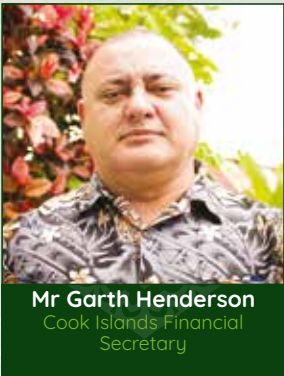
Mr John Tini
Cook Islands Workers
Association Representative



Mrs Tatiana Burn
Cook Islands Chamber of
Commerce Representative



Mr Heinz Matysik
Non Chamber of Commerce
Employer Representative
Board Chairman



Mr Garth Henderson
Cook Islands Financial
Secretary



Mr Alan Taylor
Board Member

CINSF Board Meetings

The CINSF Board convened 8 formal and 2 special Board workshops in the 2021 year. With continued travel restrictions, the Board of Directors were unable to attend education and industry events.

Board Remuneration

Ordinary Board Member:
\$10,000 per year

Board Chairperson:
\$15,000 per year

The Board confirms that all contributions required to be made to the Fund in accordance with the terms of the Act have been made. Where contributions have not been received, action is underway to ensure that all contributions required to be made will be paid to the Fund.

STAFF



The Fund formally established an internal Investment Division this year and welcomed the appointment of Mr David Brown as the Fund’s first Chief Investment Officer. With 33 years of experience in managing institutional portfolios at leading institutions such as Standard life in Edinburgh, QIC in Brisbane and the Victorian Funds Management Corporation in Melbourne, David has experience of running funds to match insurance and pension liabilities as well as accumulation and retail super. A New Zealander, David returns to the Pacific after a career in the UK, Australia, and PNG. He has considerable experience managing direct investments and private equity. He is a former Chairman of the Australian Private Equity and Venture Capital Association, an experienced director of private and listed companies and Member of the Australian Institute of Company Directors, a Fellow of the FINSIA, and a member of the



CFA Institute. David has a BCom from Auckland University and an MSc in Investment Analysis from the University of Stirling in Scotland. David will be driving the research and development to support the Fund’s objectives. Joining him in the role of Investment Analyst is Michelle Elia-Siloata who holds a Bachelor of Commerce and Administration, double majors in Human Resources and Management from Victoria University, and is currently completing a Masters in Applied Finance at Auckland University of Technology. She was a recipient of the New Zealand Prime Minister’s Scholarship to Asia enabling her to study Mandarin and live in China before moving to Rarotonga in 2019. Michelle comes to the CINSF from the Cook Islands Ministry of Foreign Affairs and Immigration where she specialized in International Affairs and Trade.

ORGANISATIONAL CHART



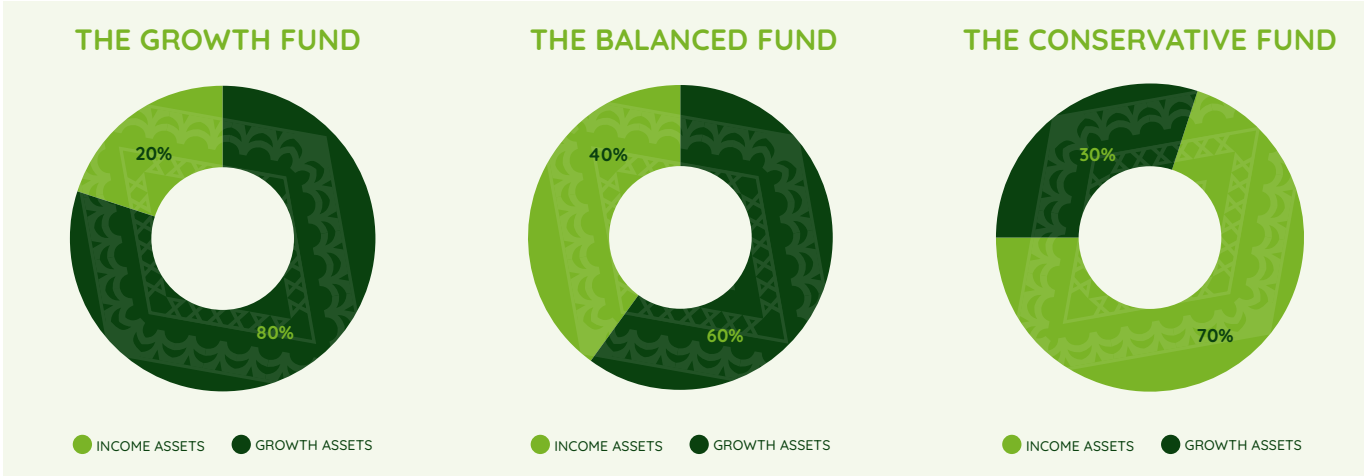
INVESTMENT

Investment Options

The Fund introduced member investment options in 2015 and whilst the initial launch was supported by public presentations, newspaper and television promotion, then an ongoing program of presentations to members at their place of employment, it has only been in the last

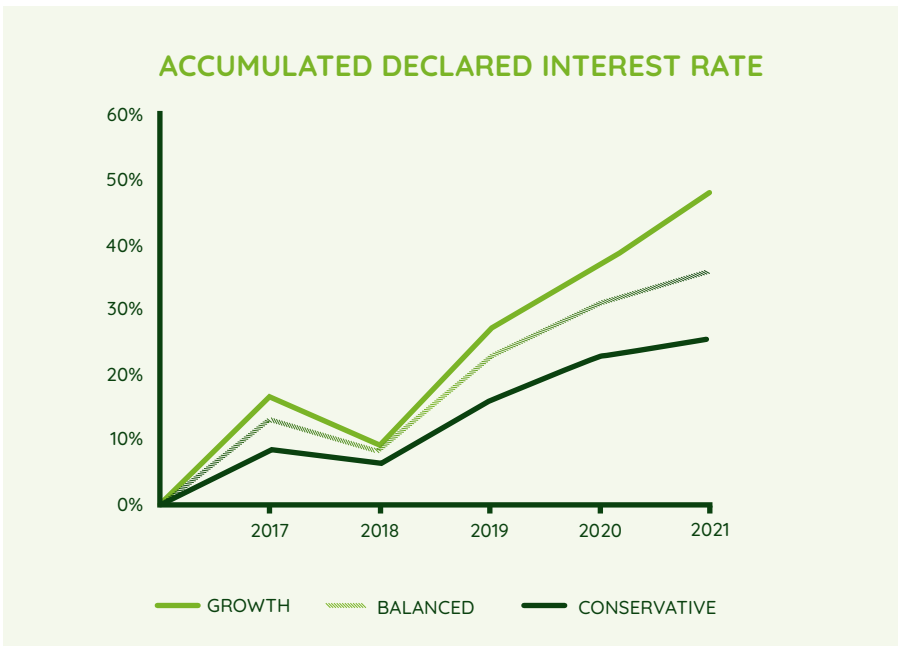
12 months that we have seen a large shift in members funds from the Conservative Fund to the Balanced and Growth Funds.

The investment options are:



Despite the strong performance of the Balanced and Growth Funds, the majority of members are yet to make an investment direction and remain in the Conservative Fund. One of the main reasons for this has been the ability to show the track record of the 3 funds side by side.

With more information now available to members it is expected that members will be able to make better and more informed decisions based on the risks and returns.



Investment Strategy

The CINSF conducted two Board workshops to review the objectives and strategies for the Fund to achieve its objectives.

The CINSF is a scheme that has 2 components to it:

- 1 Accumulation - the period where a member contributes from their earnings, their employer contributes the same, and a member can choose to make additional voluntary savings.

During the accumulation period the member carries the risk of saving enough money during their working life to provide as large a balance as possible for retirement. The Fund provides investment options to support different levels of risk to achieve potentially higher returns.

- 2 Decumulation - The period where a member elects to take a lump sum percentage and/or claim their pension for life benefit, and the Fund manages the pension payments to the member.

During the deaccumulation period the member receives a pension for life, so the Fund carries the risk to invest the members money and manage pension reserves to provide for the member and potentially the spousal pension if the member is married.

Understanding the components that make up the Fund helps us to determine the investment strategy to meet the objectives in the accumulation and decumulation phases.

Whilst the Fund has provided members with investment options, we are very aware of the low engagement by members in their retirement savings, and that most of those members remain in the Conservative Fund, our lowest risk lowest return fund.

This means we must work to evidence and implement the best possible solutions for those members that do not elect to make an investment decision. This can be done in several ways to achieve improved outcomes.

Fee reductions are one way we continue to improve margins and pass on better net returns to members. These fee reductions come from negotiations with Investment Managers and takes into consideration the size of our total investment portfolio.

Asset Classes and Asset Allocations are another way we can achieved improved outcomes. Investing in different Asset Classes comes with different risks and returns, as does how much of the portfolio is allocated to those Asset Classes.

Investment styles are also another way we consider achieving better outcomes, with choices between Active Management or Passive Management of investment products.

The CINSF Investment Division continually researches all of these investment categories to achieve the optimal investment outcomes for members.

Default Fund

The history of the Fund is that at the time of its establishment, there was only a single portfolio that all members were invested in. Then in 2015 the Fund introduced 2 new investment options to create a total of 3 portfolios, the Conservative (the fund's original portfolio), the Balanced, and the Growth. The original portfolio, renamed the Conservative Fund, was designated as the default fund for all members that did not elect to make an investment direction.

The Investment team conducted research with the Fund's Actuaries to review the default fund for members. The research concluded that the Balanced Fund is now the most appropriate fund for members to be in to achieve an acceptable level of risk to obtain relative returns to achieve the best potential

outcome for their retirement savings. The Fund, following recommendations from the Actuary, has already moved the Pension Accounts and Pension Reserves to the Balanced Fund.

The Board has approved that from 1 January 2022 all new members to the Fund, that do not make an investment direction, will be placed into the default fund, that is the Balanced Fund.

For all existing default fund members that remain in the Conservative Fund, the CINSF Office will be conducting public presentations at each vaka on Rarotonga, and each island, to inform members of the change and provide an opportunity for those members to make their own investment direction. This process is planned for the second half of 2022.

Investment Returns

The 2021 declared returns to members are as follows:

CINSF Investment Fund	Interest Rate Year ended 31 December 2021(%)
CINSF Conservative Fund	2.7%
CINSF Balanced Fund	5.7%
CINSF Growth Fund	10.9%

PORTFOLIO SUMMARY

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

CINSF CONSERVATIVE FUND VALUE OF FUNDS 31 Dec 2021: \$185,610,159 31 Dec 2020: \$191,975,911			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 DEC 2021	
Pacific Equities	8% – 10%	9.8%	
Global Equities	16% – 24%	20.7%	
Growth Assets	25% - 35%	30.5%	
NZ Cash	0% – 5%	0%	
Pacific Fixed Interest	12% – 16%	14%	
Global Fixed Interest	52% – 60%	55.5%	
Income Assets	65% - 75%	69.5%	

CINSF BALANCED FUND VALUE OF FUNDS 31 Dec 2021: \$17,366,123 31 Dec 2020: \$5,290,752			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 DEC 2021	
Pacific Equities	18% – 22%	20.4%	
Global Equities	36% – 44%	42.9%	
Growth Assets	55% - 65%	63.2%	
NZ Cash	0% – 5%	0%	
Pacific Fixed Interest	6% – 10%	7.1%	
Global Fixed Interest	28% – 36%	29.7%	
Income Assets	35% - 45%	36.8%	

CINSF GROWTH FUND VALUE OF FUNDS 31 Dec 2021: \$12,416,054 31 Dec 2020: \$4,444,899			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 DEC 2021	
Pacific Equities	24% – 28%	24.8%	
Global Equities	50% – 58%	56.8%	
Growth Assets	75% - 85%	81.6%	
NZ Cash	0% – 5%	0%	
Pacific Fixed Interest	2% – 6%	3.4%	
Global Fixed Interest	12% – 20%	15%	
Income Assets	15% - 25%	18.4%	

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 unhedged	Russell Global Opportunities Fund Class A	MSCI ACWI Index Net
Global equities NZHD	Russell Investments Hedged Global Shares Fund	MSCI ACWI Net Index 100% NZD Hedged to NZD
Pacific Fixed Interest	Russell Investments NZ Fixed Interest Fund	Bloomberg NZ Bond composite 0+ Yr
Global Fixed Interest hedged	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 2021 the return (gross of tax and fees) of the fund was **3.2%**.

The fund is a New Zealand registered Managed Investment Scheme.

Top 10 Holdings as at 31 December 2021

Fisher and Paykel Healthcare Corporation	12.6%
Mainfreight Ltd	7.3%
Spark New Zealand Ltd	6.9%
EBOS Group Limited	6.5%
Auckland International Airport Ltd	5.4%
Contact Energy Ltd	5.1%
Fletcher Building Ltd	5.1%
Summerset Group Holdings Ltd	3.9%
Meridian Energy Ltd	3.9%
Infratil Ltd	3.2%

Russell Global Opportunities Fund (unhedged – Class A)

The fund is an Australian registered Managed Investment Scheme and its principal investments are international shares listed on stock exchanges in developed and emerging international markets. (Benchmark – MSCI ACWI Index – Net)

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 is an Australian registered Managed Investment Scheme.

For the year ended 31 December 2021 the return (gross of tax and fees) of the fund was **25.9%**.

Market Exposure – as at 31 December 2021

Information Technology	22.4%
Financials	14.1%
Health Care	12.5%
Consumer Discretionary	12.0%
Industrials	9.7%
Communication Services	9.5%
Materials	6.6%
Consumer Staples	5.8%
Energy	2.8%
Real Estate	1.7%
Utilities	1.5%
Other	1.4%

Market Exposure – as of 31 December 2021

Information Technology	22.7%
Financials	14.0%
Consumer Discretionary	12.2%
Health Care	12.1%
Communication Services	9.9%
Industrials	9.8%
Materials	6.6%
Consumer Staples	6.0%
Energy	2.4%
Real Estate	1.8%
Utilities	1.5%
Other	1.0%

Russell Investments Hedged Global Shares Fund

The fund is a registered New Zealand Unit Trust and PIE and its principal investments are international shares listed on stock exchanges in developed and emerging international markets. (Benchmark – MSCI ACWI Index – 100% Hedged to NZD – Net).

For the year ended 31 December 2021, the return (gross of tax and fees) of the fund was **21.0%**.

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 2021 the return (gross of tax and fees) of the fund was **-4.7%**.

The fund is a New Zealand registered Managed Investment Scheme.

Top issuers as at 31 December 2021

NZ Government	37.1%
NZ Local Government	7.5%
Housing New Zealand	3.9%
ANZ Bank New Zealand	3.2%
Transpower New Zealand	3.0%
Bank of New Zealand	2.9%
Westpac New Zealand Ltd	2.7%
ASB Bank Limited	2.4%
Landwirtsch. Rentenbank	2.4%
Intl Bank for Reconstruction	2.2%

Market Exposure as of 31 December 2021

Treasuries	38.8%
Cash	11.6%
Emerging Markets	11.2%
Securitized	10.5%
Corporates	10.4%
Government Related	1.7%
Bank Loan	0.1%
Other Product Type	15.7%

Russell Investments Global Bond Fund

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 2021 the return (gross of tax and fees) of the fund was **-1.1%**.





The global economy proved to be relatively strong during 2021, recovering to some extent despite the COVID-19 pandemic that continued to sweep across the globe for a second year. Fixed interest markets however, finished the year with a more gloomy outlook priced in.

The case for optimism developed as populations adjusted as best they could to the normality of Covid restrictions while governments rolled out mass vaccination programmes as well as booster shots. Throughout the year, it was clear that consumption patterns remained radically different with less travel, hospitality and entertainment, but more home-based work and consumption. The net effect of this was to erase the gloom expected at the outbreak of the pandemic. So when economies did experience gradual easing of restrictions later in the year, business activity picked up dramatically.

However, with unprecedented amounts of government stimulus and business continuity grants in around 166 countries, the attitude of economists became increasingly driven by the fear of inflation returning. The global management consultants McKinsey & Company claimed that combined stimulus packages were 3 times the amount seen in the Global Financial Crisis of 2008¹, and the UN Conference of Trade and Development

calculating an average of 9.8% of GDP stimulus across the developed world². As such markets in the second half of the year were characterised by fixed interest markets retreating and stock market rallies becoming increasingly fragile. We did see a last minute “Santa rally” around Christmas because as yet, the horrors of Russia’s intentions in the Ukraine were brewing but unseen. The year finished quite well for investors with heavy equity allocations.

The markets representing a large portion of the Cook Islands National Superannuation Fund’s (CINSF) portfolios contributed positively to member returns, however, for the Conservative option which is weighted to fixed interest, these equity market benefits did not come through as strongly. For the year 2021, New Zealand shares³ delivered only 0.2% while global shares⁴ gained more than 20.6%. New Zealand fixed interest⁵ however lost -5.7% and Global fixed interest⁶ minus 1.2% in NZ dollar terms as government bond yields moved higher (i.e. prices moved lower) to allow buyers compensation for anticipated inflation.

After a year of so much uncertainty for many, members should feel reasonably pleased with the level of returns. For the year of 2021, Conservative delivered a declared return of 2.7%, while Balanced delivered 5.7% and Growth returned 10.9%.

The war in the Ukraine dominated markets in the first months of 2022 ushering a raft of uncertain implications that will remain with enduring implications far beyond Europe, if only due to the increased cost of oil, let alone geopolitical upheaval.

However, the aftermath of the Covid recovery will also prove to be another longer-term factor in dictating the outcome of markets in 2022.

Despite opening borders, consumer confidence is subdued, accompanied by a growing impatience with continued government health restrictions and against a backdrop of a rapid rise in the cost of living in almost all major economies. Elections early in the year for Australia, France and crucial mid-terms in the US have the very real potential for a shift in government policy everywhere.

Expect continued healthcare spending, but for some key sectors of global economic activity such as travel and trade, the path back will remain sluggish. This is taking place against a

background of seismic shifts in the way people look at supply lines, domestic manufacturing and food security. The inevitable effect will be to increase costs alongside the monetary effects of the unprecedented size of the government packages to support citizens through the lockdowns of the past two years.

Economic and social dislocation has changed attitudes to work, where they work and how to supply workers for essential services. The ‘great resignation’ is a general term economists use to capture the generational shift in attitudes resulting in unpredictable approaches to working lives, savings and the affordability of housing.

With a background of such change, we predict a year of rapid sectoral shifts with real winners and significant losers rather than a general tide raising all boats. It will be a year for wise choices strategically and a year for preserving fire power ahead of responding to clearer signals as they emerge later.

1 McKinsey & Company “The \$10 trillion rescue” June 2020
2 UNCTAD “Unprecedented COVID-19 stimulus packages are not being leveraged to accelerate SDG investment” 11 December 2020
3 Measured by the S&P/NZX 50 Gross Index
4 Measured by the MSCI ACWI Index NZDH - Net
5 Measured by the Bloomberg NZBond Composite 0+ Yr
6 Measure by the Bloomberg Barclays Global Aggregate Bond Index NZDH



SUMMARY FINANCIAL ACCOUNTS For the year ended 31 December 2021

	2021 NZ \$	2020 NZ \$
Summary Statement of Changes in Net Assets		
Net Investment Gain	7,594,782	15,667,056
Plus: Other Income	762,272	121,199
Less: Other Expenses	(3,178,926)	(2,632,861)
Surplus Before Taxation and Membership Activities	5,178,127	13,155,394
Income Tax Expense	(71,017)	(46,999)
Surplus After Taxation and Before Membership Activities	5,107,110	13,108,395
Membership Activities		
Member Contributions	7,041,630	5,267,727
Member Voluntary Contributions	795,286	396,437
Contributions Yet To Be Allocated	263,810	555,845
Employer Contributions	6,890,613	5,233,100
Total Contributions	14,991,338	11,453,107
Less: Benefits Paid	(9,532,053)	(4,305,404)
Net Membership Activities	5,459,211	7,147,704
Increase in Net Assets During The Year	10,566,321	20,256,099
Summary Statement of Net Assets		
Assets		
Financial Assets - At Fair Value Through Profit or Loss	215,936,266	201,711,562
Other Assets	5,287,460	11,318,694
Total Assets	221,223,726	213,030,256
Less: Total Liabilities	(2,409,210)	(4,782,064)
Net Assets Available For Benefits	218,814,516	208,248,192
Vested Benefits	216,442,759	205,938,789
Summary Statement of Cash Flows		
Net Cash Flows from Operating Activities	737,703	9,062,475
Net Cash Flows from Investing Activities	(6,576,620)	(3,087,527)
Net (Decrease)/Increase in Cash Held	(5,838,917)	5,974,948
Cash at Beginning of Year	9,521,606	3,546,658
Cash At End of Year	3,682,689	9,521,606

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

For the year ended 31 December 2021

A summary of the Fund’s audited financial statements for the year ended 31 December 2021 which were authorised for issue by Public Trust (the “Trustee”) on 23 June 2022 is shown on page 35. The summary financial statements have been extracted from the full financial statements for the year ended 31 December 2021 which were authorised for issue by the Trustee on 23 June 2022. The auditor issued an unmodified audit report on the full financial statements dated 23 June 2022.

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 34.

Subsequent Events

There have been no other material events after balance date that require adjustment to or disclosure in the financial statements.

DIRECTORY

TRUSTEE

Public Trust
Level 2, Willeston Street
Wellington, CBD 6011
Private Bag 5902, Wellington 6140
New Zealand
www.publictrust.co.nz

ADMINISTRATION MANAGER

Link Market Services
PO Box 91976
Auckland 1142, New Zealand
www.linkmarketservices.co.nz

INVESTMENT CONSULTANT

Aon New Zealand
PO Box 3167
Shortland Street
Auckland 1140, New Zealand
www.aon.co.nz

INVESTMENT MANAGER OF THE UNDERLYING INVESTMENT FUNDS

Russell Investment Group Limited
PO Box 105-191
Auckland Central, New Zealand
www.russell.com/nz

INSURER

AIA New Zealand
Private Bag 300981
Albany
North Shore City 0752, New Zealand
www.aia.co.nz

AUDITOR

Deloitte Limited
Private Bag 115033
Shortland Street
Auckland, New Zealand

ACTUARY

Aon Hewitt New Zealand
P O Box 3167
Shortland Street
Auckland 1140, New Zealand
www.aon.co.nz

ENQUIRIES OR CORRESPONDENCE

CINSF Office
PO Box 3076
Avarua, Rarotonga
Cook Islands
Phone: (682) 25515
Email: enquiry@superfund.gov.ck
www.cinsf.com

