



CINSF

COOK ISLANDS NATIONAL SUPERANNUATION FUND

2023 ANNUAL REPORT

To the members for the year ended 31 December 2023



Our Purpose
SUPPORTING SECURITY
IN RETIREMENT...

Our Culture
MANA TIAKI...
guardians of our members funds.



We act in the long-term best interests of
OUR MEMBERS...

We improve outcomes for members by implementing
INDUSTRY BEST PRACTICES...

We seek to demonstrate where we are
ADDING VALUE...

2023 Highlights

TOTAL FUND SIZE
\$241,466,326

INVESTMENT REVENUE
\$23,596,650

TOTAL CONTRIBUTIONS
\$23,666,424

BENEFITS PAID TO MEMBERS
\$10,207,036

Declared Returns to Members

CONSERVATIVE FUND
8.8%

BALANCED FUND
12.6%

GROWTH FUND
15.0%

TOTAL NUMBER OF MEMBERS
14,231

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CEO LETTER TO MEMBERS



Kia Orana Koutou,

Over the last 10 years the CINSF and our Cook Islands Office has transformed itself from an enforcement function, for the collection of contributions, to now at the end of 2023 a fully functioning operation providing strategic guidance, administration services, investment services, fund accounting, and risk & compliance management.

The journey to achieve this has taken careful planning by the Board and Executive Team to grow the skills and expertise required to provide the services in house ensuring the functions were added in a methodical manner to match our resources. In 2023 the final component was added to complete the transition from an outsourced model to a fully in-housed superannuation fund.

What that means for the Fund and the Members is that we have taken on more responsibilities to drive the achievement of the objectives of the Fund. In terms of deliverables, we can demonstrate the value to members through the overall reduction in operational costs whilst continuing to deliver market returns and provide member services.

We selected administration software provided by NZX Wealth Technologies, to enable the CINSF office to administer the member registry and manage the investment portfolios all from the Cook Islands. In doing so we have also created new locally based skilled employment opportunities with long term career development and achieving significant investment and administration fee savings for members.

In addition to bringing the administration and investment in-house we strengthened the Funds Risk & Compliance by securing a new Chief Risk Officer who brings a strategic level of risk management to develop and implement our operational risk management framework across the Fund.

With the new functions and oversight in place we commenced the biggest migration of members since the Funds inception. After spending most of the year ensuring the data integrity of the default members, we moved all the Default Fund Members to the Default Balanced Fund in November 2023.

This move, supported by the external review of our Actuaries, is in line with industry best practice, as the Balanced Fund provides a balanced exposure between growth and income assets with the objective of potentially higher returns over the long term compared to the Conservative Fund.

As always we remain focused on supporting the security of our members in retirement, and I look forward to the coming year as we introduce further enhancements to the Fund.

I would like to extend my thanks to the CINSF Board and Trustee for their confidence and continued support. I would also like to acknowledge our Service Providers and the work they've done to support the Funds evolution, and most importantly the Executive and Staff here in our Cook Islands Office, for all their hard work and leadership to support our people. Finally, to our members, I appreciate the trust and support you've expressed to our team as Mana Tiaki, 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 2023. 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 2023 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 \$23.7m (2022: \$19.5m). Benefit payments were \$10.2m (2022: \$6.6m). The increase in benefit payments from 2022 was largely due to Pensions Paid increasing approximately 124% from 2022 to \$1.98m. In addition, Expatriate Withdrawal benefit payments increased 42% to \$2.17m as Expatriate Members applied for withdrawals following the end of their employment contracts. Death benefit payments rose 35% to \$520,000.

The Fund’s investment assets posted strong returns for the year, where the Net Asset Value rose by \$35.8m to reach \$241.5m (2022: \$205.8m). This increase included Investment Gains of \$24.4m. Also, 1,111 new members joined the Fund, bringing the total membership to 13,574 as at 31 December 2022. Pensioners rose from 254 at the end of 2021 to 280 as at the end of 2022.

The Balanced Fund is now the default Fund where, from 1 January 2022, new Members joining the Fund are allocated if they do not provide an investment selection.

CINSF Fund Performance

The table below sets out the interest rates to be allocated to Member Accounts for the year ended 31 December 2023.

| CINSF Investment Fund | Interest Rate Year ended 31.12.2023 (%) |
|-------------------------|---|
| CINSF Conservative Fund | 8.8% |
| CINSF Balanced Fund | 12.6% |
| CINSF Growth Fund | 15% |

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 2021 and 2022 Annual Reports, the Fund was not immune to the impact of COVID-19 pandemic and other outside factors impacting the Fund’s investments. Despite geo-political events and inflationary pressures still being prevalent in the global economy, all Funds achieved positive returns for the 2023 year. On the advice of the Fund’s actuary, the Trustee and the Board have opted to utilize part of the Reserve Account balance to partially offset the investment losses.

As part of the ongoing and long-term nature of the Fund, the Trustee in consultation with the Board continues to undertake investment reviews in consultation with the investment managers, investment staff at the CINSF Office and with independent investment consultants. During the year ended 31 December 2023, the Fund’s investments were retained in the SuperLife products managed by Smartshares. For more details, please refer to the Investment section of this report.

Members may also wish to note that 2023 was the first full year where the Fund has been invested in SuperLife products. There has been a significant savings in Investment Management fees from 2022 where investment management fees decreased approximately 60% to \$476,000.

It is pleasing to note that, to date, the investment funds have achieved positive returns during the first 5 months of 2024.

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 the Trust Deed

There were no changes to the Trust Deed in 2023.

Change in Fund Administration

During 2023, the Board and Trustee in consultation appointed NZX Wealth Technologies Limited (“NZXWTL”) as the Fund’s Administrator replacing Link Market Services Limited. NZXWTL provides a Platform for Fund staff to directly input and manage all membership data including contributions, benefit payments and investment returns.

Changes to Pension Benefits

An Actuarial review of the Fund was conducted for the year ended 31 December 2022. The report was finalised in 2023 and an implementation date of 4 April 2024 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 will be for the period ended 31 December 2025.

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

MEMBER BENEFITS

In one of the CINSF's largest projects to date we have undertaken to improve the data integrity of those members that have never selected an investment option. These members for any number of reasons have very limited information on their personal files, with the majority of these members joining the Fund prior to 2015, before investment options were developed.

Since the addition of the Balanced and the Growth Funds, some members have been making their own decision to move their investment between the different options. Between 2016 and 2022 we conducted nation wide presentations both public and private to explain the investment options available to members. By 2023 almost 10% of members had made an investment selection, leaving 90% of members still in our lowest returning Conservative Fund. The survey feedback from members asked us to place them into the most suitable investment option for them. This is not an easy task with many different age and income demographics, so we engaged our Actuaries to review our members and portfolio to present a recommendation that also aligned with the Funds purpose of supporting security in retirement. The result was to move those members into a Default Balanced Fund.

Research has shown that over the long term the volatility of the global equity markets tend to average out and provide a higher investment return for those who have a larger exposure to them in their investment portfolios. The Default Balanced Fund has a larger exposure to global equities compared to the Conservative Fund.

Default Fund

The Default Balanced Fund is the same design as the Balanced Fund, and only members that apply to join the CINSF and do not select any investment option, or do select the Default Fund, are placed into the Default Balanced Fund.

The reason for the members to be placed into a separate Default Fund is to ensure that in the future if a change is made to the Default Fund - it can be implemented for only those members in the Default Fund, and not members that have made an investment selection to a fund.

Fund: Default Balanced Fund



- Vanguard Total World Stock ETF 60%
- Blackrock iShares Bonds 40%

Applies to: Members that have not made an investment selection.

Members that have elected to be in the Default Fund.

Exclusions: Members that have made an investment selection.

MEMBER STATISTICS & DEMOGRAPHICS

Membership Movement

| | |
|---|--------|
| 2023 Opening Membership | 13,574 |
| Net Member Movement | 657 |
| Membership Total as at 31 December 2023 | 14,231 |

Disaggregated Data

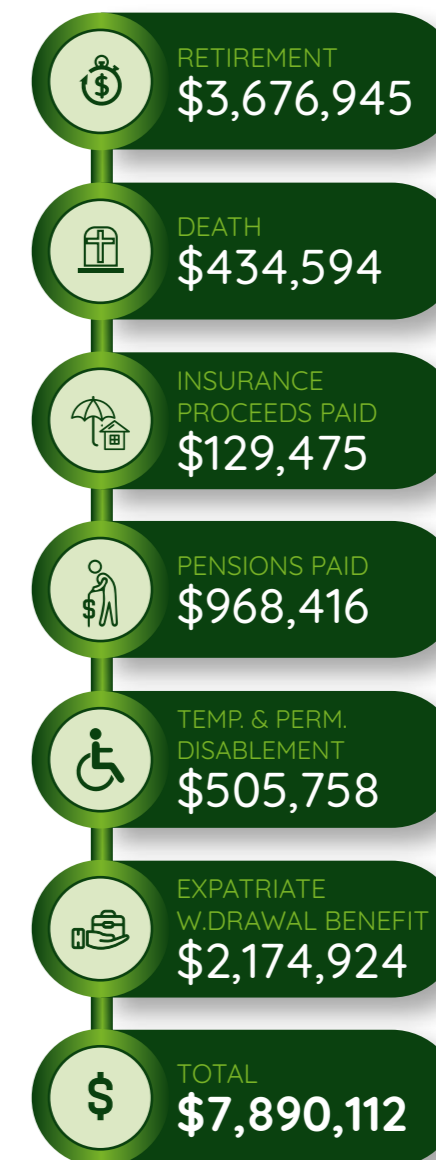
The CINSF is a member of the Pacific Islands Investment Forum (PIIF), a collation of all the Sovereign Wealth, Trust, Provident, and Superannuation Funds in the Pacific.

The PIIF provides a platform for the members to collaborate on regional investment issues, provide access to investment education programs, and support co-investment activities across the region.

One of the issues in the region is the lack of quality data in the investment industry. The PIIF members have resolved to improve the collection, analysis, and reporting on data to improve the understanding of demographics, incomes, and savings levels, in order to provide measures and comparisons for issues such as gender inequality.

As the CINSF has now internalised the administration of the Fund, we are able for the first time to develop demographic reporting of our members and their savings. To follow is the first annual reporting of this data, and we will continue to work on this to improve our reporting to the members and stakeholders.

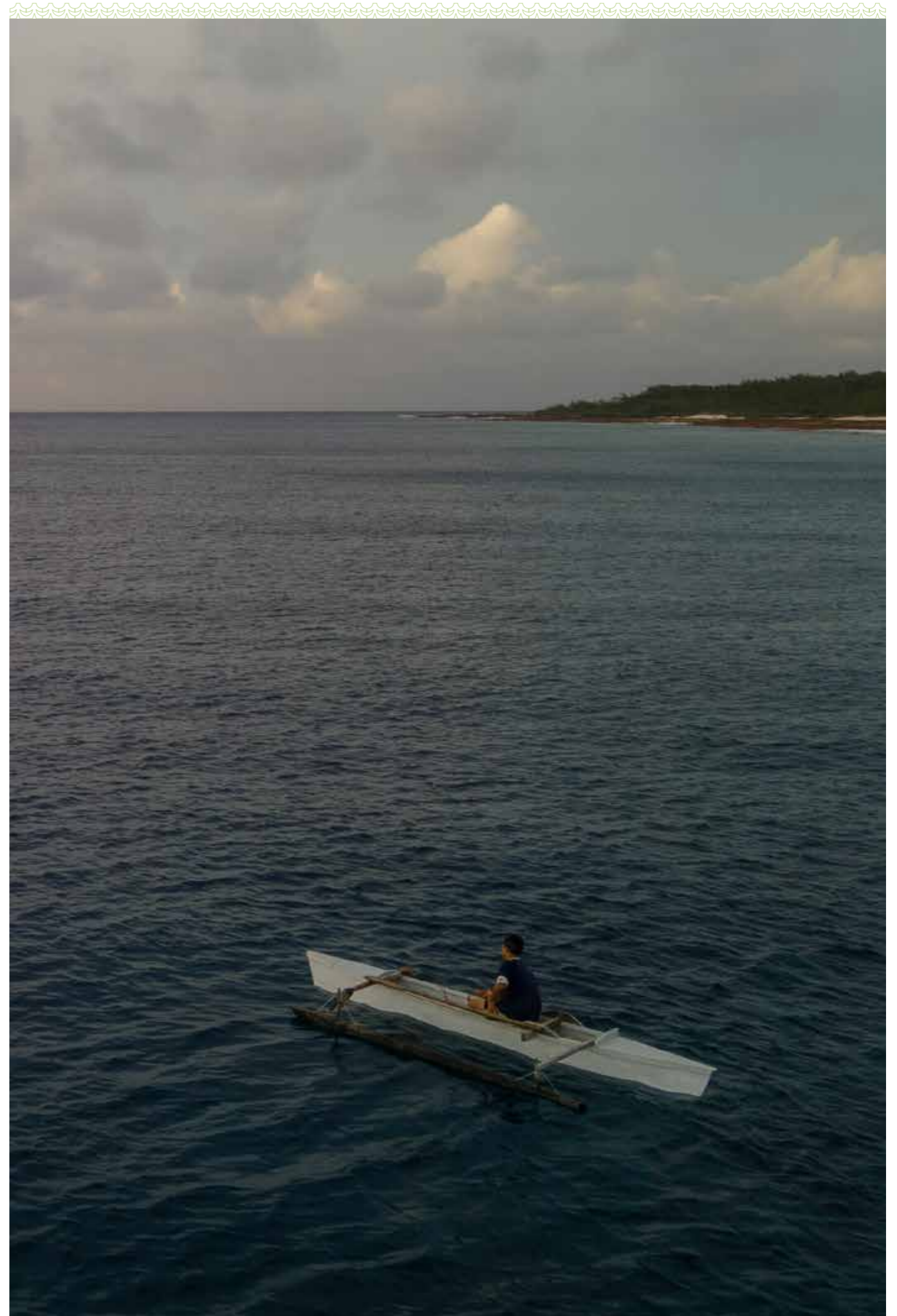
Benefit Payments



Membership Demographic as at 31 December 2023

| Membership Demographic | No. Active Members | No. Dormant Members | No. Members | Balance Active | Balance Dormant | Balance Total |
|------------------------|--------------------|---------------------|---------------|----------------------|---------------------|----------------------|
| Male | 5,934 | 1,451 | 7,385 | \$103,173,167 | \$13,472,456 | \$116,645,623 |
| 20 years & under | 175 | 79 | 254 | \$378,073 | \$70,431 | \$448,505 |
| 21 to 25 years | 464 | 264 | 728 | \$2,126,983 | \$660,880 | \$2,787,864 |
| 26 to 30 years | 718 | 228 | 946 | \$4,406,002 | \$1,555,871 | \$5,961,874 |
| 31 to 35 years | 916 | 183 | 1,099 | \$9,170,270 | \$1,624,916 | \$10,795,187 |
| 36 to 40 years | 846 | 159 | 1,005 | \$11,612,267 | \$1,537,168 | \$13,149,436 |
| 41 to 45 years | 659 | 135 | 794 | \$13,601,210 | \$1,618,819 | \$15,220,029 |
| 46 to 50 years | 630 | 127 | 757 | \$16,915,766 | \$1,952,573 | \$18,868,339 |
| 51 to 55 years | 586 | 136 | 722 | \$16,076,497 | \$2,095,296 | \$18,171,793 |
| 56 to 60 years | 470 | 84 | 554 | \$14,168,258 | \$1,276,271 | \$15,444,530 |
| 61 to 64 years | 223 | 38 | 261 | \$7,769,807 | \$786,599 | \$8,556,406 |
| 65+ years | 247 | 18 | 265 | \$6,948,029 | \$293,626 | \$7,241,655 |
| Female | 5,558 | 1,288 | 6,846 | \$97,179,349 | \$12,339,759 | \$109,519,109 |
| 20 years & under | 157 | 75 | 232 | \$285,358 | \$65,908 | \$351,267 |
| 21 to 25 years | 451 | 242 | 693 | \$2,146,316 | \$634,276 | \$2,780,592 |
| 26 to 30 years | 718 | 193 | 911 | \$5,577,617 | \$1,317,456 | \$6,895,073 |
| 31 to 35 years | 811 | 182 | 993 | \$9,835,854 | \$1,597,922 | \$11,433,776 |
| 36 to 40 years | 768 | 139 | 907 | \$13,474,174 | \$1,425,376 | \$14,899,550 |
| 41 to 45 years | 694 | 123 | 817 | \$16,249,998 | \$1,753,952 | \$18,003,951 |
| 46 to 50 years | 656 | 119 | 775 | \$16,433,379 | \$1,854,346 | \$18,287,725 |
| 51 to 55 years | 521 | 96 | 617 | \$13,963,061 | \$1,556,355 | \$15,519,416 |
| 56 to 60 years | 433 | 87 | 520 | \$12,028,368 | \$1,600,078 | \$13,628,447 |
| 61 to 64 years | 174 | 24 | 198 | \$4,324,051 | \$421,285 | \$4,745,337 |
| 65+ years | 175 | 8 | 183 | \$2,861,168 | \$112,800 | \$2,973,968 |
| Total | 11,492 | 2,739 | 14,231 | \$200,352,516 | \$25,812,216 | \$226,164,732 |

| Membership Demographic | % Males & Females | Average Active Balance | Average Dormant Balance | Average Balance Total |
|------------------------|-------------------|------------------------|-------------------------|-----------------------|
| Male | 51.6% | \$17,386 | \$9,284 | \$15,794 |
| 20 years & under | 0.2% | \$2,160 | \$891 | \$1,765 |
| 21 to 25 years | 1.2% | \$4,584 | \$2,503 | \$3,829 |
| 26 to 30 years | 2.6% | \$6,136 | \$6,824 | \$6,302 |
| 31 to 35 years | 4.8% | \$10,011 | \$8,879 | \$9,822 |
| 36 to 40 years | 5.8% | \$13,726 | \$9,667 | \$13,084 |
| 41 to 45 years | 6.7% | \$20,639 | \$11,991 | \$19,168 |
| 46 to 50 years | 8.3% | \$26,850 | \$15,374 | \$24,925 |
| 51 to 55 years | 8.0% | \$27,434 | \$15,406 | \$25,168 |
| 56 to 60 years | 6.8% | \$30,145 | \$15,193 | \$27,878 |
| 61 to 64 years | 3.8% | \$34,842 | \$20,700 | \$32,783 |
| 65+ years | 3.2% | \$28,129 | \$16,312 | \$27,327 |
| Female | 48.4% | \$17,484 | \$9,580 | \$15,997 |
| 20 years & under | 0.2% | \$1,817 | \$878 | \$1,514 |
| 21 to 25 years | 1.2% | \$4,759 | \$2,620 | \$4,012 |
| 26 to 30 years | 3.0% | \$7,768 | \$6,826 | \$7,568 |
| 31 to 35 years | 5.1% | \$12,128 | \$8,779 | \$11,514 |
| 36 to 40 years | 6.6% | \$17,544 | \$10,254 | \$16,427 |
| 41 to 45 years | 8.0% | \$23,414 | \$14,259 | \$22,036 |
| 46 to 50 years | 8.1% | \$25,050 | \$15,582 | \$23,597 |
| 51 to 55 years | 6.9% | \$26,800 | \$16,212 | \$25,153 |
| 56 to 60 years | 6.0% | \$27,779 | \$18,391 | \$26,208 |
| 61 to 64 years | 2.0% | \$24,850 | \$17,553 | \$23,966 |
| 65+ years | 1.3% | \$16,349 | \$14,100 | \$16,251 |
| Total | 100% | \$17,434 | \$9,423 | \$15,892 |



THE BOARD AND STAFF

The CINSF Board is 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 current Board Members are:



Mr Heinz Matysik
Chairman of the Board
Non Chamber of Commerce
Employer Representative



Mr John Tini
Cook Islands Workers Association
Representative



Mrs Tatiana Burn
Cook Islands Chamber of Commerce
Representative



Mrs Anna Koteka
Members Representative



Mr Garth Henderson
Cook Islands Financial Secretary



Mr Alan Taylor
Board Member

CINSF Board Meetings

The CINSF Board convened 5 formal Board Meetings and 2 special Board Workshops in the 2023 year, with 2 Board members completing their New Zealand Institute of Directors Certification Course, and the Chairman completing the International Centre for Pension Management Governance Program.

Board Remuneration

Ordinary Board Member: \$12,500 per year
Board Chairperson: \$17,500 per year



MEMBERS SERVICES

Our member services team are the front-line support providing service to over 14,000 members for accounting opening and investment options through to claims and pensions, and to over 600 employers for registrations and monthly contributions to recoveries and payment programs.

To be able to provide service to this many members and employers with a small team, we invested in technology to automate as much of this work as possible. Our Te Roro software is used by employers to make declarations, which is a listing of their members and their contributions, that flows directly through to the members investments. This same software is also used to register members and process all types of claims for them.

Having this volume of work automated as much as possible enables our team to focus on the many direct enquiries we receive daily.

Education for members

Over the last year the most frequent enquires we assist members on relate to claims for foreign workers and claims for retirement. Whilst we provide all the information relating to the CINSF Act and Trust Deed along with explanatory material on our website, many members are still not aware or understand the purpose of the Fund

and the restrictions embedded in its structure. Therefore, we continue to provide educational presentations to members and employers.

The presentations include the background to the CINSF, its purpose and role in our country's social security, the investment program and investment options for members, through to the benefits and how the pension benefit works for members at retirement.

The most important component of our member education program is to explain the investment options available to members and the purpose and potential outcomes for each investment option. The importance of making the right investment option for a member will have a significant impact on their outcome at retirement.

Moving forward

As we seek to continue to make improvements to our service we are planning to engage with our members and employers over the next year to consider further changes to the CINSF as the Fund grows in both numbers of members and funds invested.

Our team are here to help and are dedicated to providing our members and employers with the support they require to make everyone's experience with the CINSF a positive one.



FUND ADMINISTRATION

As part of our journey to providing members with consistent and timely service, the CINSF Office went through a significant transformational change in 2023. The Funds Administration services which includes registry services, management and application of contributions, claims management, and support to Member Services, has now been transferred to the Cook Islands CINSF Office to manage.

The decision to do this followed 2 years of research and planning to ensure the CINSF Office could resource the functions required and find an innovative software to administer the Fund from the Cook Islands. NZX Wealth Technologies fund administration software was selected to be used by the CINSF Office and this came into full effect in October of 2023.

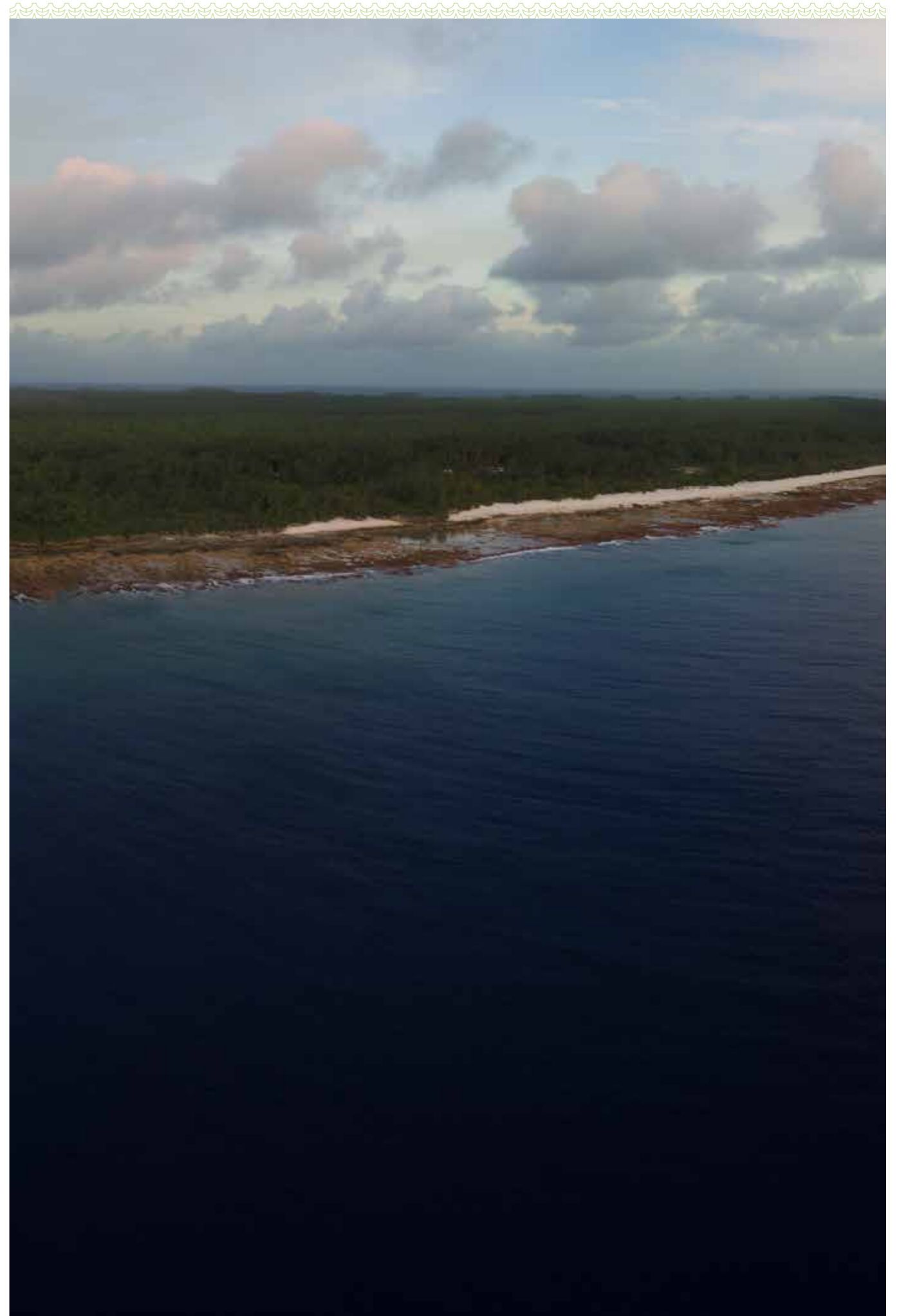
Our focus remained on fostering skilled job creation, reducing costs to members, providing upskilling opportunities, streamlining manual processes, and enhancing member portal visibility. As a result, three new skilled local employment opportunities were generated.

Our pursuit of efficiency and cost-effectiveness in 2023 will yield further savings to our members during 2024. Strategic initiatives such as process optimisation and technology integration, enabled us to implement and streamline operations in the last quarter of 2023. As a result, members will benefit from lower administration fees and reduced transaction costs going forward. This underscores our commitment to adding value for our members.

With the new administration software has come some additional features for members, a change to monthly crediting rates and visibility of both members transactions and valuations. These additional features provide members with improved reporting on their investment so they can see their savings grow in real time.

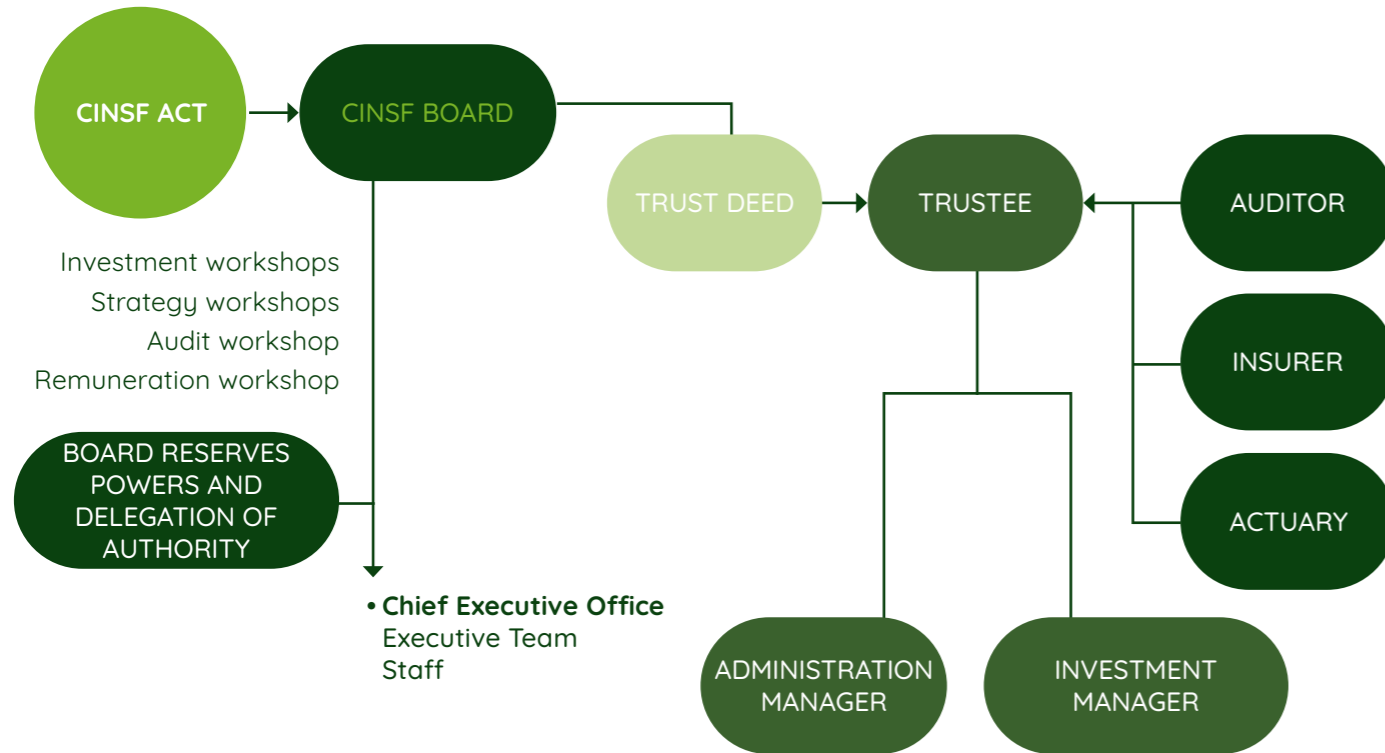
As additional features are added to the new administration platform we look forward to passing these through to our members to continue to improve their experience with the CINSF.





RISK MANAGEMENT

Corporate Governance Framework



The statutory and fiduciary governance arrangements for CINSF (illustrated above) are set out in the CINS Act (2000) and Trust Deed respectively. The CINSF Act and Trust Deed established the functions, powers and duties of the Trustee and the CINSF Board Members along with reporting and accountability requirements.

The CINSF Board is made up of individuals with broad and deep financial experience and perspectives from across the Cooks Islands commerce community and employee groups.

Their commitment and in-depth knowledge of CINSF and the broader Cook Islands commercial community adds value to the Fund's operations, members and local employers.

As per the CINS Act (2000), the Board consists of the Government Financial Secretary, two nominees from Cook Islands employer industry groups, one Cook Islands private sector employer representative, a nominated member (contributor) representative and a non-executive independent member.

CINSF's Trustee is the NZ Public Trust, they work with the CINSF Board to provide oversight of effective management and administration of the fund on behalf of Members and beneficiaries and investing the fund's assets. Specifically, the CINSF Board sets our strategic direction and monitors the implementation of strategy by the Executive team in accordance with the CINS Act (2000) and Board Charter requirements.

In 2023 to complement the Board's regular meetings, the Board undertook a number of focused technical workshops which focused on employee remuneration, planning for the development of an internal audit capability and a deep dive on CINSF investments.

Risk Management Framework

Over the last 12 months significant strides have been made in further embedding our Risk Management Framework (RMF) at CINSF, leveraging the strong corporate culture of the organisation. Our operational activities have been conducted with careful consideration of risk in alignment with our strategic initiatives which remains laser focused on supporting security in retirement.

The CINSF Board's Risk Appetite Statement appetite was formally approved in July and has gradually been incorporated into CINSF internal risk management processes, tools, policies and reporting mechanisms. This has uplifted the usefulness of the CINSF RMF along with quality, timeliness and clarity of risk related internal reporting across the organisation and up to the Board.

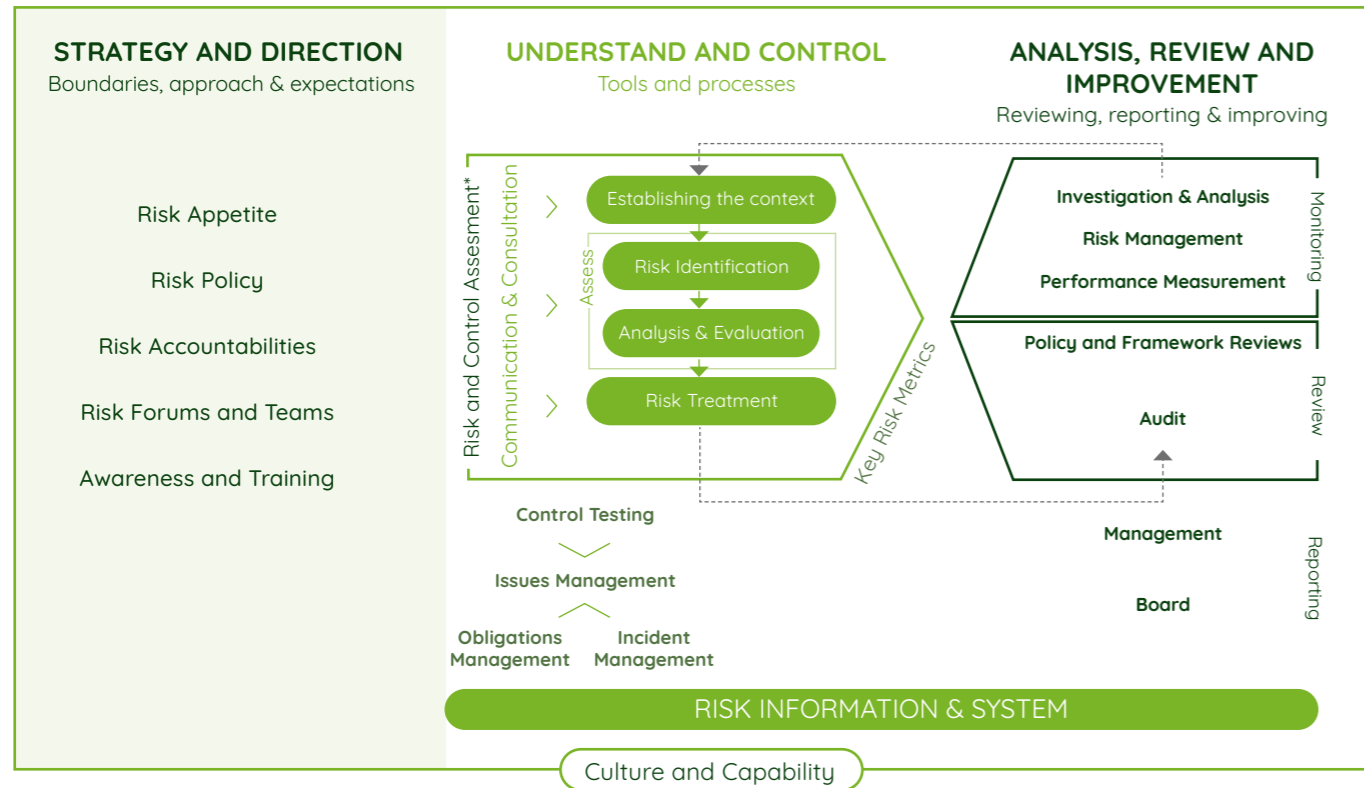
Q4 of 2023 marked the successful implementation of CINSF's new risk management information system (Resolver). A third party provided risk intelligence platform that was carefully selected and customised to enable CINSF's specific and 'fit for purpose' RMF. This project was the

culmination of months of collaborative effort, planning, design specifications and execution by the CINSF Risk & Compliance team and Resolver's solutions consulting team. Specifically, this platform intuitively guides process workflows, for risk and control assessment compliance monitoring, incident and issues management and sets out future capability for internal audit controls assurance.

The Resolver platform aligns with CINSF's adopted risk governance model of the 'three lines of defence', which promotes ownership of risk and controls in the business, overseen internally by the specialist Risk & Compliance Team and independently challenged by Audit.

Through the use of the CINSF risk information management system, the CINSF Board receives monthly risk reports which includes insights into current risk and compliance concerns and status of remediation actions that enable progress towards protecting and achieving our strategic initiatives. Key elements of the CINSF RMF and the enablement of key tools and process through the 'Risk Management Information System' are illustrated below.





A notable risk focus in the past year has been the IT security landscape, recognised as one of our key risks due to CINSF’s organisational technical growth and the evolving nature of IT security risk itself. To address this, we have developed and are implementing an enhanced IT strategy which focuses on a suite of technical controls and strategies aimed at continuously monitoring and mitigating technology security risks within an acceptable risk appetite. We are committed to ongoing investment in IT security controls and governance to ensure the adequacy and enhancement of technology, staff education, and processes.

Our Material Risks

CINSF distinguishes different types of material risks and adopts the RMF to ensure it takes an integrated approach to the management of these risks and the implementation of specific and related risk and control policies. Material risk types workshopped and agreed by the CINSF Board include:

- **Liquidity risk** - the risk of an inability to meet obligations as and when they fall due without incurring unacceptable losses (at both the Corporate and Fund level).

- **Investment (Governance) risk** - is the risk that threatens the ability of an entity to manage its investments to adequately protect the interests, and meet the reasonable expectations, of beneficiaries.
- **Investment (market) risk** - the risk of losses on financial investments caused by adverse market movements. E.g. changes in equity prices or commodity prices, interest rate movements and/or foreign exchange fluctuations.
- **Counterparty risk** - the risk of a counterparty (e.g. Insurer) failing to settle a debt, repay of meet contractual obligations.
- **Strategic risk** - is those risks that arise from an entities strategic and business plans (either development or execution).
- **Operational risk** - the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events (includes Compliance risk).

Risk matters are reported to the CINSF on a monthly basis as part of regular Board reporting and escalated in instances when events or incidents are identified as being beyond the formal risk appetite of the Board.

INVESTMENT

Member Investment Options

The Fund provides three investment options for members to choose from. Members can choose to place all their investment into one option or split into more than one option.

Each option has a different risk and return profile, with the Growth Fund designed for a higher long-term return but potential for higher short-term risk, down to the Conservative Fund designed for a more stable short-term, but lower long-term return profile. The choice is yours, but remember that long-term, “Growth” exposure will tend to produce better returns, and better returns will produce a higher income in retirement through the CINSF pension.

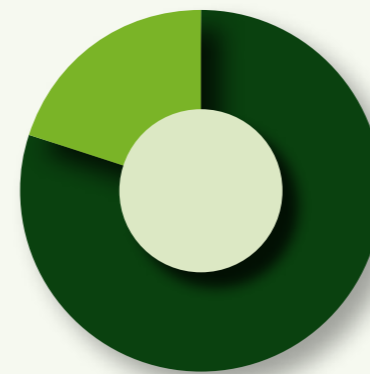
The Default option for those not wanting to make a fund investment choice is the Balanced Fund.

The three options are different set mixes of “Defensive” or assets that produce most of their return from income, and are therefore more stable, and “Growth” assets which produce most of their growth from long-term price appreciation.

The Defensive (Income) and Growth exposure is achieved by purchasing passive ETFs (Exchange Traded Funds), which are bought and sold on global stock markets.

The investment options are:

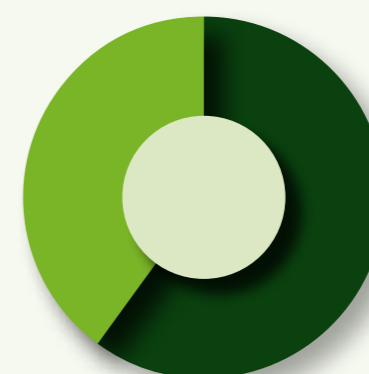
The Growth Fund (80/20 Growth/Income)



● Growth 80%
● Income 20%

The Growth Option has the highest exposure to “Growth” assets and is designed for long-term investors with more than 10 years until retirement. Because the design is oriented towards 80% exposure to stock-market “Growth” investments, this option can show short-term volatility (or negative and positive returns in quick succession). However, history suggests that this option will ultimately deliver the highest return long-term (+ 5 years).

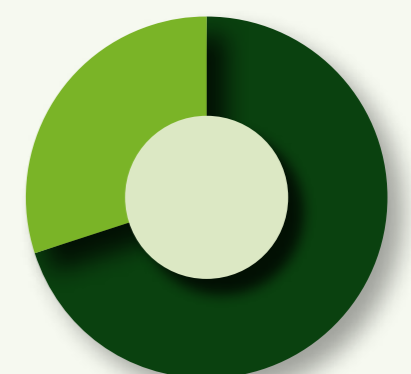
The Balanced Fund (60/40 Growth/Income)



● Growth 60%
● Income 40%

This option has a mid-range exposure to both the global stock market (60% Growth assets), and global fixed income (40% Defensive assets). As such, this moderate fund has been selected for the Default over a member does not elect a specific investment choice. It is also the strategy used for investing the Pension assets for those members already in retirement. This option should produce attractive long-term returns, however, there is a moderate chance of a short-term negative return in some years.

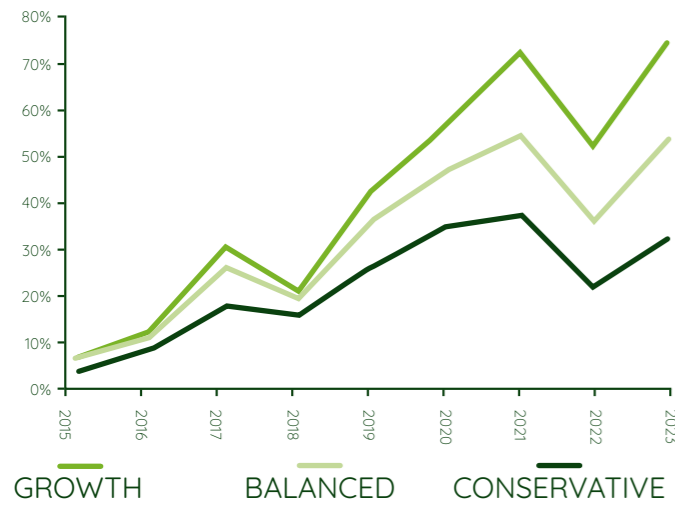
The Conservative Fund (30/70 Growth/Income)



● Income 70%
● Growth 30%

This option has the lowest exposure to Growth assets with only 30%. While the 70% Defensive-Income exposure should indicate a more stable return over short periods, the result is likely to be a lower return over the long-term. This option may be considered for people approaching retirement and seeking to preserve their accumulated capital ahead of moving into the pension phase, or for people with a strong aversion to stock market price fluctuation.

Accumulated Declared Interest Rate Since 2015



Default Fund Change

The Board, upon advice from the Actuary, implemented a switch to the Balanced strategy for both the assets backing the Pensions and as a default for new members commencing after 1st January 2022. Transition of existing legacy default balances from the Conservative to the Balanced strategy took place in November 2023 following the implementation of the new admin platform.

2023 Investment Returns

Over the 12 months of 2023 almost all of the previous year's negative sentiment was unwound leaving fund balances well ahead of the starting lows from January 2023. The Growth option demonstrates the strong performance of equity markets, but even the 8.8% for the Conservative option and 12.6% for Balanced shows a stability and improvement in bond global bond markets during 2023.

The 2023 declared returns to members are as follows:

| CINSF Investment Fund | Interest Rate Year ended 31.12.23 (%) |
|-------------------------|---------------------------------------|
| CINSF Conservative Fund | 8.8% |
| CINSF Balanced Fund | 12.6% |
| CINSF Growth FundZ | 15.0% |



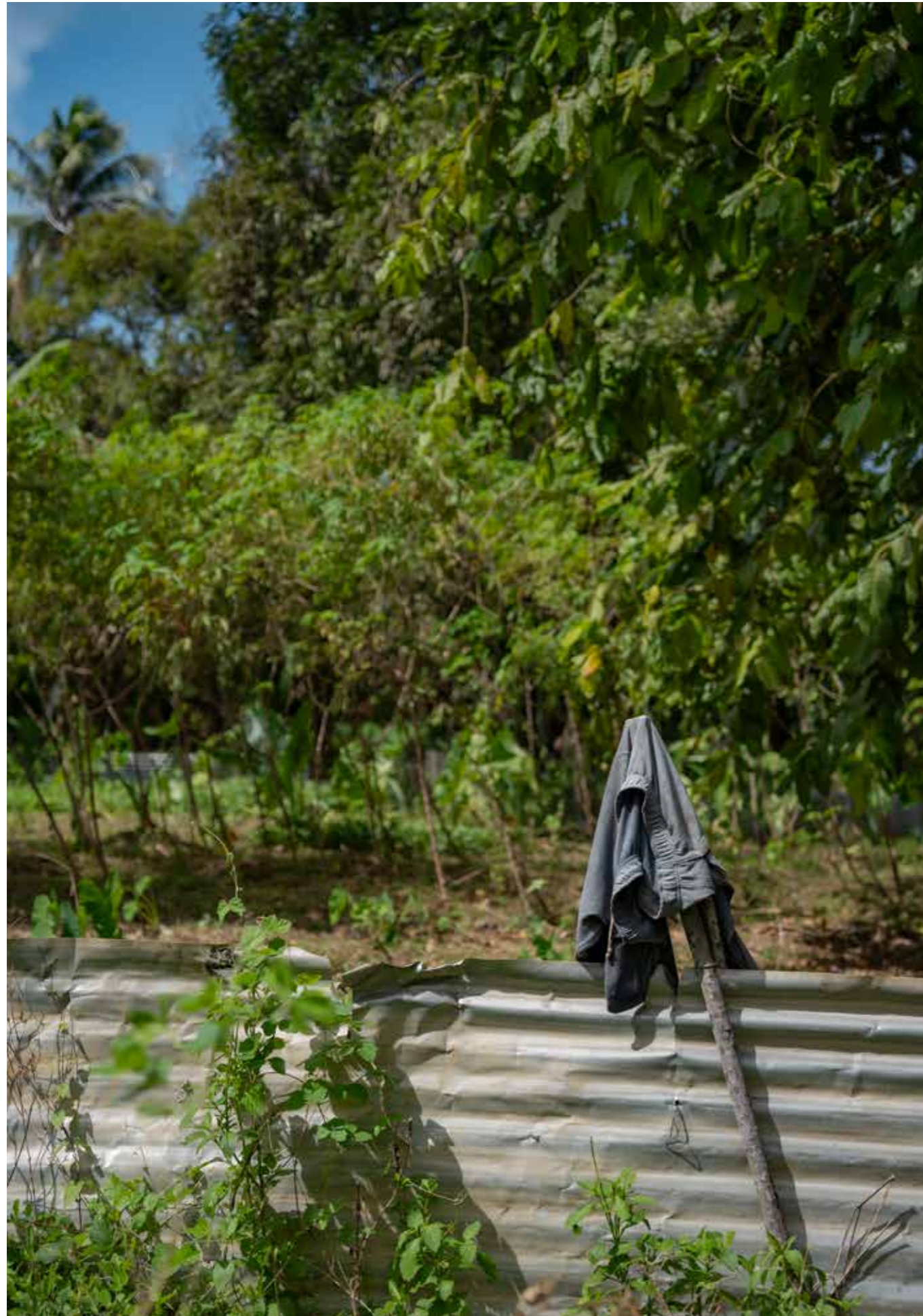
Portfolio Summary

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

| CINSF Conservative Fund | | |
|---------------------------------|-----------|------------------------------|
| Value of funds | | |
| 31 Dec 2023: \$8,410,173 | | |
| Asset Class | Range | Allocation as at 31 Dec 2023 |
| Hedged (to NZD) Global Equities | 10% - 20% | 15% |
| Unhedged Global Equities | 10% - 20% | 15% |
| Growth Assets | 25% - 35% | 30% |
| Hedged (to NZD) Global Bonds | 65% - 75% | 70% |
| Income Assets | 65% - 75% | 70% |

| CINSF Balanced Fund | | |
|---------------------------------|-----------|------------------------------|
| Value of funds | | |
| 31 Dec 2023: 193,777,281 | | |
| Asset Class | Range | Allocation as at 31 Dec 2023 |
| Hedged (to NZD) Global Equities | 25% - 35% | 30% |
| Unhedged Global Equities | 25% - 35% | 30% |
| Growth Assets | 55% - 65% | 60% |
| Hedged (to NZD) Global Bonds | 35% - 45% | 40% |
| Income Assets | 35% - 45% | 40% |

| CINSF Growth Fund | | |
|---------------------------------|-----------|------------------------------|
| Value of funds | | |
| 31 Dec 2023: \$23,976,672 | | |
| Asset Class | Range | Allocation as at 31 Dec 2023 |
| Hedged (to NZD) Global Equities | 35% - 45% | 40% |
| Unhedged Global Equities | 35% - 45% | 40% |
| Growth Assets | 75% - 85% | 80% |
| Hedged (to NZD) Global Bonds | 15% - 25% | 20% |
| Income Assets | 15% - 25% | 20% |



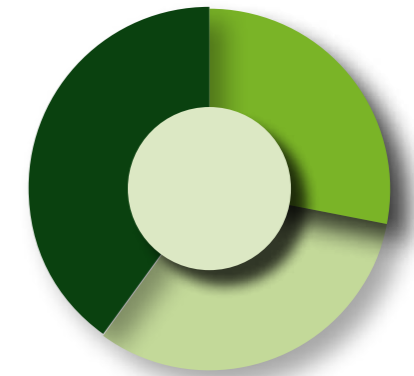
The Reference Portfolio

The three CINSF Member options are different mixes of the defensive and growth investment assets. This produces a set of three moderate risk options.

SuperLife, a subsidiary of NZX Ltd, specializes in providing New Zealand collective investment vehicles to be sold to retail and wholesale investors. Essentially the three products the Cook Islands National Superannuation Fund chooses are a New Zealand re-packaging of three broad-market, highly diverse, index-tracing passive ETFs (Exchange Traded Funds).

ETFs are a cheap and effective way to access a full market by buying one single security on the New York Stock Exchange or some other highly liquid marketplace.

These three basic mixes of ETFs are what we call the Reference Portfolio



- Hedged (into NZD) Global Fixed Interest
- Unhedged Equities
- Hedged (into NZD) Equities

| Asset Class | SuperLife Managed Fund | Benchmark |
|---------------------------------------|--|---|
| Global Equities Unhedged | SuperLife Total World Fund (Unhedged) - NZ PIE Fund1; invests in the Vanguard Total World Stock ETF (Ticker VT) | FTSE Global All Cap Index (converted to the New Zealand dollar) |
| Global equities Hedged into NZD | SuperLife Total World Fund (NZD Hedged) - NZ PIE Fund; invests in the Vanguard Total World Stock ETF (Ticker VT) | FTSE Global All Cap Index (Hedged to the New Zealand dollar) |
| Global Fixed Interest Hedged into NZD | SuperLife Global Aggregate Bond Fund (Hedged) - NZ PIE Fund; invests fully in the (Blackrock) iShares Core Global Aggregate Bond UCITS ETF | Bloomberg Global Aggregate Index 100% hedged to the NZD |

Vanguard Total World Stock ETF

Vanguard is one of the world's most respected investment management companies, offering a broad selection of investments, advice, retirement services, and insights to individual investors, institutions, and financial professionals. They operate under a unique, investor-owned structure and adhere to a simple purpose: To take a stand for all investors, to treat them fairly, and to give them the best chance for investment success. Shareholders in Vanguard funds benefit from their client focus, experience, stability, and long-term, disciplined investment approach.

(Blackrock) iShares Core Global Aggregate Bond UCITS ETF

With US\$250 trillion assets under management, iShares has been a leader in the ETF marketplace for more than two decades, and as a part of BlackRock, their products are engineered by investment professionals with discipline and deep risk management expertise. iShares has a global lineup of 1,250+ Exchange Traded Funds (ETFs).



MARKET REVIEW & OUTLOOK



2023 - Market review

Despite the continuing war in Ukraine and the October 2023 Hamas attack on Israel provoking a prolonged military response, the overall 2023 experience of markets was to upwardly reprice the previous year, implying that too much pessimism had been baked into prices during 2022.

One key driver to strong equity markets during 2023 was strong consumer sentiment in the US and to a lesser degree, Europe. There was growing evidence that economies were not slowing as widely predicted.

However, it was the emergence of widespread commercial AI (Artificial Intelligence) applications and their insatiable requirement for computing power, that led a powerful run up in the Tech sector, particularly for silicone chip makers and associated technology.

2024 - Market outlook

2024 started with an explosion of expectations about the commercial applications of AI and geopolitical and economic factors took a back seat to market price appreciation.

However, moderation of these optimistic expectations seems likely as the world remains in an undoubtedly insecure position regarding inflation. In some sectors, it is already apparent that the balance has now shifted to laying off staff from the mad rush for recruitment that followed the post-covid scramble for human resources.

For these reasons, we still hold that a sound diversification policy including both defensive and growth exposure will prove better for members in the next few years. For the time being, we expect a year of moderating equity markets together with bond prices ceasing to offer any help. In an environment of moderating consumer demand, we are mindful that the expected recession may eventuate towards the end of 2024.

All three investment options will benefit from their robust design and produce returns fitting to the purpose for which they were created.

David Brown
Chief Investment Officer



SUMMARY FINANCIAL ACCOUNTS

Unaudited - For the year ended 31 December 2023

| | 2023 NZ \$ | 2022 NZ \$ |
|--|--------------------|---------------------|
| Summary Statement of Changes in Net Assets | | |
| Net Investment Gain | 23,596,650 | (24,301,775) |
| Plus: Other Income | 129,475 | 176,115 |
| Less: Other Expenses | (3,688,531) | (3,281,687) |
| Surplus Before Taxation and Membership Activities | 20,037,594 | (27,407,347) |
| Income Tax Expense | (3,194) | (47,091) |
| Surplus After Taxation and Before Membership Activities | 20,034,400 | (27,454,438) |
| Membership Activities | | |
| Member Contributions | 11,324,146 | 9,348,310 |
| Member Voluntary Contributions | 1,023,011 | 1,136,382 |
| Contributions Yet To Be Allocated | | (362,261) |
| Employer Contributions | 11,394,473 | 9,491,578 |
| Total Contributions | 23,741,630 | 19,614,009 |
| Less: Benefits Paid | (8,075,947) | (5,209,013) |
| Net Membership Activities | 15,665,683 | 14,404,996 |
| (Decrease)/Increase in Net Assets During The Year | 35,700,083 | (13,049,442) |
| Summary Statement of Net Assets | | |
| Assets | | |
| Financial Assets - At Fair Value Through Profit or Loss | 235,660,551 | 200,944,876 |
| Other Assets | 6,173,979 | 5,091,247 |
| Total Assets | 241,834,530 | 206,036,123 |
| Less: Total Liabilities | (368,204) | (271,053) |
| Net Assets Available For Benefits | 241,466,326 | 205,765,070 |
| Vested Benefits | 216,442,759 | 204,513,878 |
| Summary Statement of Cash Flows | | |
| Net Cash Flows from Operating Activities | 9,889,781 | 8,885,424 |
| Net Cash Flows from Investing Activities | (11,138,583) | (10,046,878) |
| Net (Decrease)/Increase in Cash held | (1,248,802) | (1,161,454) |
| Cash at Beginning of Year | 2,521,235 | 3,682,689 |
| Cash At End of Year | 1,272,433 | 2,521,235 |



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Acknowledgements

Photos of Mitiaro Island: TaysMedia - <https://www.taysmedia.com>

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