



The purpose of this newsletter is to bring you up to date on some of the issues addressed by the Trustee. The most recent meeting of Trustee was held on 16 November 2017.

Quarterly Investment Markets Overview

The September quarter proved positive for most New Zealand investors with strong local market returns combining with a depreciating New Zealand dollar which boosted unhedged assets.

Globally, technology stocks continued to drive returns (the IT sector returned 8.2% over the quarter, in local currency terms). However, this quarter saw the energy and materials sectors rebound (up 7.4% and 7.2% respectively). The weakest areas were the "defensive" consumer staples and utilities sectors. The property and infrastructure sectors were also relatively weak this quarter.

For global bonds, interest rates lifted off their lows, knocking back some of the gains experienced in bond markets. For instance, the US ten year treasury yield began the quarter at 2.30%, fell to 2.04% (on 7 September) but rebounded to end the quarter more or less unchanged at 2.33%.

Corporate debt continued to outperform sovereign bonds resulting in stronger returns from managers with more credit risk in their portfolios.

Political uncertainty in the lead up to September's general election did little to derail our share market, which returned a healthy 4.7% over the quarter. Domestically, growth continues to track along reasonably well with the New Zealand economy expanding 2.7% in the year to June.

Most commentators see the Reserve Bank leaving the Official Cash Rate on hold until at least late 2018.

Plan Earning Rates

The Trustee discussed the report from the Plan's Investment Consultant for the quarter to 30 September 2017. This showed that the Plan's overall investment return over the quarter was positive 3.1%, higher than the Plan's benchmark return of positive 2.5%. On a per annum basis the Plan is ranked in the top half of its peer group for the one year, three year and five year periods and top of its peer group for the ten year period.

The investment return for the September quarter which was used to update members' accounts comprised a taxable rate of positive 0.7% and a non-taxable rate of positive 2.1%. The equivalent after-tax return is positive 2.7% for members subject to a 10.5% tax rate, positive 2.7% for members subject to a 17.5% tax rate and positive 2.6% for members subject to a 28% tax rate.



Deferring Your Benefit Payment

Currently, the plan rules allow members who have attained age 65, and members who have permanently ceased employment in the industry, (and are now entitled to be paid their leaving service benefit) to choose to be paid all or some of their benefit and defer payment of the balance (as an investment only account).

Key benefits are:

1. Continued investment in this professionally managed scheme;
2. A wide range of investments in domestic and international asset classes;
3. Access to asset classes that are expected to provide greater long term returns (for example, equities) without losing the ability to access the funds at relatively short notice;
4. An ability to ride out a market downturn at the time of leaving service;
5. An ability to continue to utilise PIR rates;
6. Competitive fees and charges due to the overall size of the Plan;
7. Your savings will continue to be held separately by the Trustee, as the custodian, on your behalf and are completely independent from the RMTU and any employer.

The Trustee discussed the current rules for those members who choose to defer all or part of their benefit payment. There is an interest to add more flexibility to this facility while keeping the administration costs to an acceptable level.

After some discussion the Trustee agreed that from 11 December 2017 the rules would be updated to the following (changes noted as bold and underlined):

- A maximum of **six** withdrawals each Plan year;
- A minimum amount per withdrawal of **\$1,000**;
- A minimum remaining balance of **\$5,000**;
- Account balance will continue to **earn interest** and incur expenses; and
- Contributions to your Deferred Account are not allowed.

More information is available in the Ports Retirement Plan Product Disclosure Statement available from the plan's website or contact the Administration Manager directly.

As in all cases when considering the investment of your savings, especially the funds already accumulated for your retirement, the Trustee encourages you to seek professional financial advice before making any decisions.

David S Stevens
Chairman
11 December 2017