



New Zealand Harbours Superannuation Plan

Chairman's Newsletter

December 2013

The most recent meeting of Trustees was held on 14 November 2013. The purpose of this newsletter is to bring you up to date on some of the issues discussed by the Trustees.

Investment markets

It was a tough quarter for NZ bonds with the yield on 10 year government stock rising from 4.1% to 4.6% over the period, resulting in a NZX Government Stock Index return for the quarter of -1.2%. In Australasian shares NZ investors have consistently seen better results from the NZ market than the Australian market recently and the quarter saw NZ up 7.2% while Australia rose 4.4% on an unhedged basis. Returns from global shares were similar to NZ shares. Globally, interest rates continued to rise over the quarter with 10 year US treasury yields ending the quarter at 2.6%.

Emerging markets are continuing to underperform developed markets and for the quarter were down 4.2%. On a year to date basis they are now down 4.9% - the shine has come off this sector. NZ Government bonds rates rose over the quarter and 10-year bond yields increased from 3.50% in the last quarter to 4.13%. Overseas, US rates rose at an accelerated pace, with the 10-year US Treasury up from 1.87% to 2.52%.

Plan earning rates

The Trustees discussed the report from the Plan's Investment Consultant for the quarter to 30 September 2013, which showed that the Plan's overall investment return over the quarter was positive. For the first quarter in recent times the Plan's return was poor when compared with its peer measurement group. The return for the quarter was ranked 9 out of 11 similar funds. However, the comparisons over the other measured periods were still very good. The return for one year was ranked 5 out of 11 in the peer group, the return for three years was ranked 5 out of 11 in the peer group and the return for five years was ranked 1 out of 11 in the peer group.

The allocated return for the quarter to 30 September 2013 was positive 3.2% for members subject to a 10.5% tax rate, positive 3.1% for members subject to a 17.5% tax rate and positive 2.8% for members subject to a 28% tax rate. With tax being payable when interest is allocated, all the benefits provided from the Plan are tax free.

Changes in investment manager

The Trustees had agreed, as noted in the previous newsletter, to exit from the Fisher Funds/TOWER investment relationship and move the Global Bonds mandate to a split between OnePath and the Tyndall GSAM Fund, and move the NZ direct property mandate to AMPCI Global Infrastructure Fund. The Trustees have now started the process by signing the documentation to move some of the Global Bonds funds to the Tyndall GSAM Fund. The transfer of the remaining Global Bonds funds is expected to be completed by the end of this year.

Investment manager monitoring

As part of their regular process the Trustees had asked the Investment Consultant to review the Plan's NZ Equities mandate with AMP due to performance issues. As part of his review the Investment Consultant noted concerns over AMP's Australian Equities performance also. He has now recommended expanding the investment manager search to include both NZ Equities and Australian Equities. The Trustees agreed to this and will keep members updated on any changes to investment managers as they occur.

Anti-Money Laundering and Countering Financing of Terrorism Act 2009

On 8 September 2013 the Minister of Justice granted a ministerial exemption to the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT) for the Plan. The exemption means the Plan will not need to comply with the requirements of the AML/CFT Act which will be a significant cost saving for members. A consequence of the exemption has been a necessary Trust Deed amendment firming up the conditions around voluntary contributions. The Superannuation Scheme can no longer receive any non-payroll sourced additional voluntary contributions. Voluntary contributions to the KiwiSaver Scheme are now capped at the level which entitles the member to the maximum Member Tax Credit (currently \$1,046 each year).

New Trustee

At the meeting the Trustees confirmed Stephen Connolly, CFO Port Otago Ltd, as a new Trustee. Stephen replaces David Sharman who resigned as a Trustee in April 2013.

David S Stevens
Chairman of Trustees

Secretary to the Trustees

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