



The purpose of this newsletter is to bring you up to date on some of the issues addressed by the Trustee at its most recent meeting held on 22 February 2019.

Investment Markets Overview – Quarter to 31 December 2018

Unfortunately, 2018 ended on a sour note for investors as risk-off sentiment struck hard. Global share markets were down 13.1% (local currency terms) as investors fretted about a possible end to the favourable environment enjoyed since the global financial crisis. The so called "trade-wars", Brexit, the government shutdown in the USA and oil prices played a big part in investor concerns.

Growth assets had a poor quarter. The New Zealand share market was down 5.6% The Australian market underperformed New Zealand, down some 8.2% in local currency terms. Added to this, the New Zealand dollar appreciated against its Australian counterpart, meaning unhedged investors saw the value of their investments fall 11.7% in New Zealand dollar terms.

In global shares, markets were down 14.4% on an unhedged basis. Emerging markets reversed their losing streak relative to developed markets falling 8.5%, which was better than the developed market index by almost 6%.

New Zealand bond funds saw relatively good returns this quarter as interest rates fell. In global bonds it was a similar story with the funds benefitting the most from the falls in interest rates.

Overall, then, it was a challenging quarter for investors. Many saw the investment gains made earlier in the year more or less wiped out.

Plan Earning Rates

The investment return used to update member balances for the December 2018 quarter were a taxable rate of positive 1.0% and a non-taxable rate of negative 7.0%. The equivalent after-tax return is negative 6.1% for members subject to a 10.5% tax rate, negative 6.2% for members with a 17.5% tax rate and negative 6.3% for members with a 28% tax rate.

Update on Plan Earning Rates

The overall Plan earning rate for the nine months to 31 December 2018 is just under 1% negative. However, on a more positive note, investment returns have improved significantly in January 2019. NZ share markets were up 1.98% while the Australian share market outperformed this and were up 3.87% in AUD. The global share markets were up 7.24% in local currency terms. NZ government bonds produced a stronger return compared to its corporate counterpart.



The overall Plan return for the ten months to the end of January 2019 is estimated at positive 3.38%. There are also indications that, at present, returns for February 2019 will be positive.

Information on members' account balance

A reminder that account balances are credited with the Plan earnings each quarter and updated benefit statements showing the value of members' retirement savings are uploaded to the Plan's website (<https://portsretirement.org.nz/>) once the earnings have been credited. Members are also able to call the Plan's administrator (0800 728 370) to get an up to date account balance over the phone anytime.

Conservative Investment Option for Deferred Members

We are pleased to advise the introduction of a new Conservative Investment Option (CIO) fund for Deferred Members.

The CIO is designed to encourage members who retire or leave the service of an Employer to leave their accumulated savings in the Plan. It will also enable access to a lower risk investment option.

Please note that investment choice is available only to Deferred Members (i.e. members who have left service and chosen to stay in the Plan).

If when you **leave service** you choose to leave funds in the Plan (i.e. to become a 'Deferred Member') you will be offered a **choice of investment strategy** – we will in that case offer you the opportunity to choose whether you would like to:

- invest in the Plan's **Conservative** Investment Option; or
- remain in the Plan's **Balanced** option (which is where it is now); or
- choose a mix of Conservative and Balanced.

You will need to advise the Administration Manager of your selection at the time you leave.

Existing Deferred members will receive an information pack explaining the new investment option including the investment strategy, access to funds and fees.

For further information please look on the Plan's website (<https://portsretirement.org.nz/>) or contact the Administrator Manager.

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

David S Stevens
Chairman