



## Chairman's Newsletter

December 2016 issued January 2017

The most recent meeting of Trustee was held on 24 November 2016. The purpose of this newsletter is to bring you up to date on some of the issues addressed by the Trustee.

### Quarterly Investment Markets Overview

**Cash and Fixed Interest:** The OCR was cut a further 0.25% to 2% on 11 August with the RBNZ indicating that further policy easing may be required to combat low inflation. NZ government bond yields over the 5 and 10 year issue periods fell slightly over the quarter. Conversely, the movement in the US was positive over the same periods:

**Equities:** The New Zealand equity market had a good quarter with a return of 7.3% as measured by the S&P/NZX 50 index. Australian markets were slightly behind, returning 5.1% in Australian dollar terms. The MSCI World index rose 5.3% fully hedged but only 2.7% in unhedged terms as the NZ dollar generally strengthened against the major currencies.

**Currencies:** Over the quarter, the NZ dollar rose 2.1% against the US dollar and was up 5.1% against the British pound. The NZ dollar has been rising fairly steadily against the US over the past year, from 64.0c a year ago to 72.7c at 30 September.

### Plan Earning Rates

The Trustee discussed the report from the Plan's Investment Consultant for the quarter to 30 September 2016. This showed that the Plan's overall investment return over the quarter was 3.5%, adding value of 0.3% over the Plan's benchmark return of 3.2%. On a per annum basis the Plan is ranked in the top half of its peer group for three month, one year, three year, five year and eight year periods. For the eight year period the Plan is ranked 2nd out of 11 funds.

The investment return for the September quarter which was used to update members' accounts comprised a taxable rate of positive 2.0% and a non-taxable rate of positive 1.5%. The equivalent after-tax return is positive 3.3% for members subject to a 10.5% tax rate, positive 3.2% for members subject to a 17.5% tax rate and positive 2.9% for members subject to a 28% tax rate.

### Overall Investment Review

Following discussions with the Chairman the Investment Consultant presented a paper on the main investment asset sectors as follows:

#### NZ Equities

While the performance from NZ Equities has been weak recently the manager had outperformed in the September quarter. Investment Consultant remains comfortable with the appointed manager but their performance will continue to be monitored more closely with a full review later in the year.

#### Global Shares

This asset sector had performed well but the Investment Consultant noted the Plan's currency exposure has negatively impacted the good returns from Global Equities. Currency values and movements are difficult to predict and after discussion the Trustee agreed with the recommendation of the Investment Consultant to make no changes but continue to monitor the manager's currency hedging performance.

#### Global Property

While strong in absolute terms the manager's results over the past year have been weak relative to the benchmarks and its peer groups. Over longer periods its relative performance had been stronger. The Investment Consultant noted the Plan's explicit exposure to Global Property. As there is the opportunity for the Global Equities manager to include property there



can be an overlap of exposure to this asset sector. After discussion, the Trustee agreed to maintain the status quo. However, the performance of the investment in global property will be kept under review and any switch of global property to global shares will be considered again later in 2017.

#### Other Asset Sectors

The Investment Consultant recommended no changes to NZ Property, NZ Bonds or Global Bonds sectors.

#### **Director Resignations**

Two directors have resigned from Ports Retirement Trustee Limited.

Roy Cowley who had been a Trustee/Director for many years and his significant contribution to the well-being of the Plan was noted by the Trustee. Roy was retiring from his business interests.

Sara Lunam had also been a Trustee/Director for some years and her significant contribution to the Plan was acknowledged at the meeting. Sara is taking up further responsibilities on behalf of Port of Tauranga.

Replacement director appointments will be made at the February Board meeting.

David S Stevens  
Chairman  
4 January 2017