



New Zealand Harbours Superannuation Plan

Chairman's Newsletter

November 2006

The most recent meeting of Trustees was held on 30 November 2006. The purpose of this newsletter is to bring you up to date on some of the issues discussed by the Trustees.

Investment performance

The results for the quarter ended 30 September 2006 were mixed. The local sharemarket was volatile, ending with a 0.7% gain due to a 12% gain in a single stock (Telecom). While the Australian sharemarket was better in showing a rise of 2.9%, overseas markets as a whole enjoyed a 5.1% increase in the quarter. The fixed interest markets showed a similar trend, with New Zealand up 1.4% and overseas up 3.9%. New Zealand listed property returns had a gain of 2.3%, international returns were 3%, both being eclipsed by the 10.6% return on Australian property.

Global inflation pressures eased over the quarter. The NZ dollar gained more than 6% over both the US dollar and the Australian dollar. The appreciation in the dollar is significantly due to the US Federal Reserve signalling a finish to interest rate increases (now at 5.25%), compared to the New Zealand Reserve Bank statement that easing of the rate (presently at 7.25%) is not likely and that it cannot rule out further interest rate rises. The strength of the New Zealand dollar is continuing to adversely impact on overseas returns when they are bought back to local currency.

The outlook for investment markets remains reasonably favourable. Global economic growth is not likely to shift too far from its long term average. However, New Zealand business confidence surveys continue to reflect an expectation of weaker business profitability and consumer confidence is at low levels. Internationally, inflation fears are expected to ease with a gradual slowdown in the global economy.

Plan earning rates

Based on the returns over the quarter, a rate of interest of positive 0.5% after investment fees and expenses was allocated to members' balances for the quarter ending 30 September 2006.

The investment managers are suggesting that there will be small but positive returns for the next quarter, to 31 December 2006, and the present situation is that an interim after tax rate of positive 1.75% has been accepted by the Trustees as applying for the balance of the quarter. That interim rate is updated each month and is only used to calculate benefits for members who leave the Plan.

KiwiSaver and the Harbours Superannuation Plan

As the KiwiSaver legislation has been passed by Parliament, possible responses to the Bill were discussed and reviewed by the Trustees. The Trustees have commissioned further work, to summarise the advantages and disadvantages of adding a KiwiSaver section to the Plan. This would allow current and future members the opportunity to receive the benefits of the KiwiSaver legislation from within the existing Plan arrangements. Discussions will be held with the Union and a decision on the best way forward is likely to be made early next year.

Statutory requirements

The Trustees were advised that the Prospectus and the Investment Statement comply with the relevant legislation. The current Prospectus and the Investment Statement can be found on the Plan's website and are also held by the Administration Manager, although paper copies can be obtained on request.

Complaints

The Trustees were advised that there are no outstanding complaints. Members should be aware that a complaints procedure is available to them if there are outstanding issues that they do not consider have been dealt with satisfactorily.

David S Stevens
Chairman of Trustees