



# Ports Retirement Plan

## Chairmans Newsletter – November 2023

### Performance since 1 April 2023

The first seven months of the Plan's financial year saw significant volatility in investment markets. While things began positively, especially for the US share market, initial gains were erased towards the end of the period with concerns over rising interest rates have again held sway. Overall, the Plan's returns have been slightly negative for the period since 1 April 2023.

Inflation has continued to be the key theme in investment markets. Price indices are continuing to increase, but the rate of increase has seemingly peaked in many countries. Central banks across the world have continued to hike official interest rates, more or less in line with previous guidance, but it would appear that we are nearing the end of the "rate hike cycle". In New Zealand, the official cash rate is expected to remain at around the current level until the end of 2024 (with some market participants ascribing a small probability of one further rate hike), before beginning to decrease.

Rising interest rates have led to falls in investments because they: (1) reduce the present value of future revenue; and (2) have increased concerns that the global economy is heading for a "hard landing" (i.e., a significant recession). With that said, recent economic forecasts have suggested that New Zealand, amongst others, may be able to cool inflation with a "soft landing" and avoid a recession.

Fixed income, traditionally a defensive asset class, has unfortunately not delivered in this instance. The market value of fixed income investments suffers in a rising rate environment since the coupon payments they provide suddenly look less attractive relative to the new (higher) interest rates on offer. On the positive side, though, higher prevailing interest rates suggest fixed income returns will be better into the future because these securities are now offering significantly higher yields.

In 2023 year-to-date, equity markets have been largely driven by the "Magnificent Seven": Alphabet (Google), Amazon, Apple, Meta (Facebook), Microsoft, Nvidia, and Tesla. These stocks have seen significant returns, thereby increasing the level of concentration in market-capitalisation-based equity indices.

The Plan has benefitted from its small exposure to alternative assets (hedge funds). These strategies are more complex than traditional investments, aiming to provide returns which are less correlated to the ebbs and flows of share and fixed income markets. Pleasingly, the Plan's exposure to this sector has performed exactly the role intended from it, delivering a small positive return in circumstances where equity and fixed interest products are typically "in the red".

Overall, it is a weak picture for the first seven months of the Plan's financial year. The Balanced portfolio, which most members are invested in, has fallen -2.8% (after fees and tax at 28%) for the period 1 April 2023 to 31 October 2023. The Conservative portfolio, available to deferred members, is slightly better, down -1.8% (after fees and tax at 28%) in the same period.

It is important to remember that members' retirement savings are long-term in nature. Therefore, these ups and downs, which occur from time to time, are to be expected. In due course, traditional investment market dynamics will reassert themselves, and we can be confident in achieving good returns.

**Administration Manager** - Freephone 0800 728 370

Melville Jessup Weaver Ltd, Level 7 Kiwi Wealth House, 20 Ballance Street, Wellington 6011

Melville Jessup Weaver Ltd, P O Box 1096, Wellington 6140

**Plan Secretary** - Level 1 Tramways Building, Thorndon Quay, Wellington, P O Box 4197 Tel 04 499 2066



# Ports Retirement Plan

Month ended	Month After tax at 28% PIR	Month After tax at 17.5% PIR	Year to date After tax at 28% PIR	Year to date After tax at 17.5% PIR
<b>Balanced Fund</b>				
30 April 2023	1.2%	1.2%	1.2%	1.2%
31 May 2023	-1.1%	-1.1%	0.1%	0.1%
30 June 2023	1.7%	1.8%	1.8%	1.9%
31 July 2023	0.9%	1.0%	2.8%	2.9%
31 August 2023	-0.8%	-0.9%	2.0%	2.0%
30 September 2023	-3.1%	-3.1%	-1.2%	-1.2%
31 October 2023	-1.6%	-1.7%	-2.8%	-2.9%
<b>Conservative Fund</b>				
30 April 2023	0.6%	0.6%	0.6%	0.6%
31 May 2023	-0.4%	-0.4%	0.2%	0.1%
30 June 2023	0.6%	0.7%	0.8%	0.8%
31 July 2023	0.5%	0.5%	1.3%	1.3%
31 August 2023	-0.5%	-0.6%	0.7%	0.7%
30 September 2023	-1.8%	-1.9%	-1.1%	-1.2%
31 October 2023	-0.8%	-0.8%	-1.8%	-2.0%

## Trustee review

The Trustee continues to closely monitor investment performance. The Directors meet quarterly to consider the performance of the investment managers against market indices and peers, and action will be taken where sufficient concerns exist. Pleasingly, the Plan continues to perform well over the medium- and long-term.

ANZ Investment Services had been the manager of the Plan's International Equities portfolio for many years. However, recent investment performance has been disappointing. Further, over the last year, ANZ has experienced extensive staff turnover and there could be changes in their investment style going forward. In August, the Trustee Directors agreed with the recommendation of our Investment Consultant to terminate this arrangement with ANZ and move to a passive (index linked) product offered by Mercer.

The Trustee's investment beliefs include the view that trying to pick the direction of markets in the short-term is not something that can be done successfully. As such, the Trustee's approach is to ride out market volatility, accepting that while we may see losses from time to time, over the long-term our members will benefit from better returns and higher retirement balances.

## Updating the legal documents relating to the Plan

As a result of the move to a Mercer product for managing the International Equities sector, we have undertaken a review of the Plan's disclosure material (Product Disclosure Statement, Other Material Information and Statement of Investment Policy and Objectives). Updated documentation is available on The Plan's website <https://portsretirement.org.nz/>

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## Retirement Planning Guide

The Financial Services Council recently released a Retirement Planning Guide to assist individuals in understanding: (1) their retirement income requirements; and (2) the level of drawdown that might be expected to be generated from a lump sum investment. A copy has been posted on the Plan's website <https://portsretirement.org.nz/wp-content/uploads/FSC-GUIDE-Retirement-Planning-Sep-2023.pdf>

## Resignation of Plan Secretary Debby Green

The role of Plan Secretary had been undertaken by the RMTU Administration Officer, Debby Green for the past 7 years. Unfortunately, Debby resigned from her role with the RMTU in October. We have been fortunate secure the services of the previous Plan Secretary, Leonie Stieller, to undertake the Secretarial work involved with the Plan on an interim basis, and to train a permanent replacement when recruited.

Contact details are:

The Plan Secretary

Leonie Stieller

Rail & Maritime Transport Union

Phone 04) 499 2066

E-mail: [admin@rmtu.org.nz](mailto:admin@rmtu.org.nz)

Member Services

Claire Shiels

Melville Jessup Weaver

Phone 04) 499 0277

E-Mail: [Claire.shiels@mjw.co.nz](mailto:Claire.shiels@mjw.co.nz)

Paul Drummond, Chair

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