



# New Zealand Harbours Superannuation Plan

**Chairman's Newsletter**

**August 2012**

The most recent meeting of Trustees was held on 16 August 2012. The purpose of this newsletter is to bring you up to date on some of the issues discussed by the Trustees.

## **Investment markets**

The June quarter saw a major turnaround in the fortunes of the different asset sectors. Share markets were down while bond markets were up, largely the reverse of the March quarter results. Australasian share markets continue to underperform global markets, possibly due to the close ties that now exist between Australia and China. The NZ and global property markets both continued their positive returns from the March quarter. While the quarter finished on a positive note, there are doubts re-surfacing on the future of the Eurozone.

The NZ dollar fell 1.9% against the US dollar, to reach 80 US cents over the quarter. It also fell against the Australian dollar by 0.9% to 78 cents. However, New Zealand is doing very well on a comparable basis – GDP growth for the first quarter was the third highest in the developed world. The Reserve Bank chose to leave the OCR unchanged at 2.5%

## **Plan earning rates**

The Trustees discussed the report from the Plan's Investment Consultant for the quarter to 30 June 2012, which showed that the Plan's overall investment return over the quarter was just negative. The Plan continues to achieve good returns when compared with its peer measurement group. The return for the quarter was ranked 4 out of 15 similar funds in its peer group and the returns for both one year and for three years were ranked second in the peer group.

The allocated return for the quarter to 30 June 2012 was negative 0.5% for members subject to a 10.5% tax rate, negative 0.6% for members subject to a 17.5% tax rate and negative 0.8% for members subject to a 28% tax rate. Those allocated returns are after deduction of investment fees and tax. With tax being payable when interest is allocated, all the benefits provided from the Plan are tax free.

## **Investment manager monitoring**

The Trustees have been made aware of some concerns around one of the wholesale investment managers used by TOWER Investments in their Global Equity portfolio. The Trustees are in discussions with the Plan's Investment Consultant regarding the continued appointment of this manager. Any changes made to the current mandate will be advised to members.

## **Trust Deed change**

The Trustees approved some minor changes to the Trust Deed, which had become necessary as a result of the latest amendment to the KiwiSaver Act 2006. The changes include the need for the Plan to have an independent trustee and a New Zealand resident trustee (David Stevens and Roy Cowley qualify on both counts), increase the liability of a trustee in some situations, define who is eligible to join the Plan and incorporate the KiwiSaver Rules from the KiwiSaver Act. If needed, a copy of the changes can be obtained from the Administration Manager.

## **Partial Asset Sales of Government Enterprises**

We were contacted by a member of the Plan who was anxious to encourage the Trustees to take up the share offerings that will arise when the Government starts its partial asset sales. The member does not have any savings that he can use. A copy of the response that was provided to the member is given on the reverse of this newsletter and has also been posted on the Plan's website.

David S Stevens  
Chairman of Trustees

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## Partial Asset Sales of Government Enterprises

We have been contacted by a member who was anxious to encourage the Trustees to take up the share offerings that will arise when the Government starts its partial asset sales, as the member does not have any savings that he can use. The member was aware of the relationship between the Trustees and the Plan's investment managers, knowing that the Trustees did not see it as their role to influence the investment managers at the level of individual investment holdings.

But the member wanted to have his perspective recognised - the Plan holds his retirement savings and, since he is unable to take up any share offer directly, he was enquiring if the Plan could take the shareholding on his behalf. The Chairman of Trustees was advised of the member's concern.

The Chairman noted and appreciated the issue that the member raised. As he also suspected that other members may have similar thoughts, he provided the comment below.

*To the members of the New Zealand Harbours Plan*

*In conjunction with the Plan's asset consultant, the Trustees set the overall investment policy and asset allocation strategy of the Plan. Having done that, the Trustees do not become involved with any of the actual investment processes, especially stock picking for which they have no professional expertise. It follows that the Plan cannot provide specific asset portfolios that are tailored for individual members.*

*The New Zealand investment market keenly awaits the proposed partial sale of state assets and the anticipated positive impact it should have. However, it is not expected that the trustees of any superannuation scheme will receive any allocation of shares or be able to take-up any potential allocation that may be available to the individual members of that scheme.*

*I am aware from regular discussions with various investment managers that they are keen to participate in the proposed new share issues. The New Zealand Harbours Plan may well participate and hold shares in the new companies as a result of those investment manager's decisions about the new issues. The extent to which the Plan will participate and continue to hold the shares will depend on the investment managers professional risk assessment of each individual company from time to time and over time.*

*It is worth noting that the companies that are to issue the shares for the partial sales are expected to be added into the NZ50 Capital Index, the index against which each of the Plan's investment managers' performance is measured. Mighty River Power, the first of the proposed sales, is expected to have a weighting of 3.5% of the index, while Meridian Energy (another likely sale) is expected to have a weighting of 6% of the index. The intended inclusion of these companies in the index is an added incentive for the Plan's investment managers to hold shares in the new companies.*

*David S Stevens  
Chairman of Trustees*