



Chairman's Newsletter

March 2020

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 20 February 2020.

Chairman's Retirement

The Trustee Board reluctantly accepted the resignation of Chairman David Stevens. David has been the Chairman for over 30 years and has helped the Plan continue strongly through many challenges over the years. David has been forced to step down due to ill health.

Paul Drummond is currently the Licensed Independent Director on the Board and has stepped in as an immediate replacement while the Trustee Board starts their search for a new Chair. Members will be updated on any progress in the Annual Report at 31 March 2020 and through these Trustee Newsletters over the next few months.

Investment Markets Overview – Quarter to 31 December 2019

The December quarter saw a strong finish to the year. Equity markets rose in most countries, with particular highlights being Ireland (up 15% in local currency terms for the quarter), Denmark (up 10%) and the US (up 9%). While it eked out a small gain, Australia was one of the weakest markets over the quarter. New Zealand posted a solid return of over 5%. Emerging markets outperformed this quarter, led by China's share market rising in excess of 14%. Other strong performers were Brazil and Russia, while India lagged but still posted a solid return of 6%.

Markets were buoyed by more certainty in a couple of areas that had been significant concerns over recent months. Firstly, we saw a considerable cooling in trade tensions between the US and China. Secondly, in the UK the Conservative Party had a convincing win in the general election. The Conservatives now hold a meaningful majority in parliament. This has greatly reduced the uncertainty around Brexit, which happened on 31 January. However, following this there will be a protracted transition period which, while intended to conclude before the end of the year, will be complex, with the potential for negotiations to become stalled.

After dipping substantially in the previous quarter, the New Zealand dollar rebounded strongly. This created a headwind for unhedged offshore investments, with the unhedged global share index underperforming the hedged index by 6.5%.

The New Zealand 10 year Government bond yield rose from near 1% to end the quarter at 1.65%. This saw fixed income investments show negative returns. Global bonds also saw losses as long term interest rates rose.

At its current level, the US cash rate remains higher than most other large developed economies. Switzerland and Japan are in negative territory while Europe has an interest rate of zero. Interest rates in emerging markets are relatively high, although most of these jurisdictions are on an easing trajectory and current rates are at their lowest for several years. In fact, 2019 saw 71 interest rate cuts by 49 central banks, which the International Monetary Fund called "the most synchronised monetary easing since the global financial crisis".



Plan Earning Rates

Investment markets have delivered strong returns since the start of the financial year (1 April 2019) as evidenced by the year to date earnings rates in the table below. Fears around the spread of the Coronavirus are likely to cause volatility in the investment markets during the final quarter ending 31 March 2020.

With the introduction of the Conservative Investment Option from 1 April 2019 interest is now allocated to members' balances at the end of each month (interest was previously allocated at the end of each quarter).

The following table shows the monthly interest allocations that were approved by the Trustee:

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
Default Fund				
30 April 2019	1.6%	1.5%	1.6%	1.5%
31 May 2019	-1.0%	-1.0%	0.5%	0.5%
30 June 2019	2.3%	2.4%	2.8%	2.9%
31 July 2019	1.5%	1.5%	4.3%	4.5%
31 August 2019	0.2%	0.2%	4.5%	4.7%
30 September 2019	0.9%	1.0%	5.5%	5.7%
31 October 2019	0.0%	0.0%	5.5%	5.7%
30 November 2019	1.9%	1.9%	7.5%	7.7%
31 December 2019	-0.1%	0.0%	7.4%	7.7%
31 January 2020	1.4%	1.4%	8.9%	9.3%
Conservative Option				
30 April 2019	0.7%	0.6%	0.7%	0.6%
31 May 2019	0.0%	0.1%	0.7%	0.7%
30 June 2019	1.5%	1.7%	2.2%	2.4%
31 July 2019	1.0%	1.0%	3.2%	3.5%
31 August 2019	1.1%	1.2%	4.3%	4.7%
30 September 2019	0.0%	-0.1%	4.3%	4.6%
31 October 2019	-0.2%	-0.2%	4.1%	4.4%
30 November 2019	1.0%	1.0%	5.1%	5.5%
31 December 2019	-0.1%	-0.1%	5.1%	5.5%
31 January 2020	1.1%	1.2%	6.2%	6.7%

Paul G Drummond
Acting Chairperson