



New Zealand Harbours Superannuation Plan

Chairman's Newsletter

March 2014

The most recent meeting of Trustees was held on 27 February 2014. The purpose of this newsletter is to bring you up to date on some of the issues discussed by the Trustees.

Investment markets

The December quarter saw developed share markets continue their steady rise through 2013, finishing the quarter up 8.6% in local currency terms. The 1 year result of 29.6% was even higher than the market rebound in 2009 of 26.5% and only previously exceeded by the 30.6% in the heady days of 1986.

Emerging markets finished the quarter up a very modest 3.0% - a major variance from the developed markets. The best performing market for the December quarter was India – up 9.0% for the quarter.

It was a tough year for the bond markets. In NZ, the yield on 10 year government stock rose 0.15% over the quarter to finish at 4.71%. In the US, the yield on 10 year US Treasuries finished at 3.04%, a rise of 0.40% over the quarter and 1.26% over the year.

Plan earning rates

The Trustees discussed the report from the Plan's Investment Consultant for the quarter to 31 December 2013, which showed that the Plan's overall investment return over the quarter was positive. After a relatively poor return for the previous quarter the Plan's return bounced back up to compare favourably with its peer measurement group. The return for the quarter was ranked 3 out of 13 similar funds. The comparisons over the other measured periods were still very good. The return for one year was ranked 5 out of 13 in the peer group, the return for three years was ranked 4 out of 13 in the peer group and the return for five years was ranked 2 out of 13 in the peer group.

The allocated return for the quarter to 31 December 2013 was positive 3.9% for members subject to a 10.5% tax rate, positive 3.8% for members subject to a 17.5% tax rate and positive 3.6% for members subject to a 28% tax rate. With tax being payable when interest is allocated, all the benefits provided from the Plan are tax free.

Changes in investment manager

As noted in the previous newsletter, the Trustees have started to exit from the Fisher Funds/TOWER investment relationship and have completed the transfer of some of the Global Bonds funds to the Tyndall GSAM Fund. The transfer of the remaining Global Bonds funds is expected to be completed by the end of this year in accordance with the terms of the investment mandate. The planned transfer from the Fisher Funds NZ direct property investment to the AMPCI Global Infrastructure Fund has started. More funds will be transferred over the next 18 months as the individual investments reach maturity.

Investment manager monitoring

Following on from the comments in the previous newsletter, the Investment Consultant presented his review of the Plan's NZ Equities and Australian Equities mandates as requested by the Trustees. The outcome of his review and the Trustees subsequent discussions was an agreement to appoint ANZ Investments as the Plan's Australian Equities Manager and Harbour Asset Management as the Plan's NZ Equities Manager. The transfer of funds from the AMP to these two managers is expected to take place early in April 2014.

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Chairman of Trustees

Secretary to the Trustees

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