



The purpose of this newsletter is to bring you up to date on some of the issues addressed and being considered by the Trustee.

Investment Markets Overview

A watch is kept on the movements in equity markets and currency values. Reading is also done to digest copious notes and useful information and briefings are provided by investment managers, wealth managers and asset consultants, including Melville Jessup Weaver. There was some volatility in February 2018 however *investment markets have recovered in April 2018*.

There are two investment issues that may be of concern to members:

- Geopolitical influences around the world that are impacting on investment markets and
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- The fact that the Plan has considerable investments with AMP and ANZ and those institutions appear to be in some difficulty in Australia.

On the issue of geopolitical influences it is considered that while there has been a lot of "noise" around, at present most wholesale investment managers ignored such short term volatility. The Trustee keeps in regular touch with its Investment Consultant and through him the underlying Investment Managers. Directors are always ready to act if there is considered to be a specific threat to our investment strategy.

At present we are satisfied with the approach adopted by our investment managers but we will keep the situation under constant review.

The issues relating to AMP and ANZ are very different. They are two large Australian based finance/insurance companies. While the Plan uses both ANZ Investment Management and AMP Capital Investors (subsidiaries of ANZ and AMP respectively) as managers for certain asset sectors there may only be a relatively small direct exposure to each institution. The assets of the Plan are held in unitised products that are held at an "arms length" from each institution. While it is not possible to say that there was no risk our exposure is limited.

While the exposure is limited and manageable the Trustee is concerned at the developments in the Australian financial and investment industry. Our relationships with the ANZ and AMP through their wealth management subsidiaries will be kept under constant review. For instance, alignment with clients is one of the key criteria used when assessing the Plan's managers. Additionally, the problems being experienced in Australia may have an impact or reflect on the New Zealand finance /Insurance sectors. This will also be kept under review by the Trustee.

Plan Earning Rates

The March quarter saw the return of considerable volatility in investment markets. A discussion was held regarding the strategy and asset allocation and whether the Plan was well positioned to cope with volatility. The consultants advised "yes" with the recommendation that no major change is required.



Ports Retirement Plan

The investment return for the March quarter which was used for benefit payments for exiting members' accounts comprised a taxable rate of positive 0.8% and a non-taxable rate of negative 2.0%. The equivalent after-tax return is negative 1.3% for members subject to a 10.5% tax rate, negative 1.3% for members subject to a 17.5% tax rate and negative 1.4% for members subject to a 28% tax rate.

The estimated investment return for the year to 31 March 2018 comprised a taxable rate of positive 4.8% and a non-taxable rate of positive 3.5%. The equivalent after-tax return is positive 7.9% for members subject to a 10.5% tax rate, positive 7.5% for members subject to a 17.5% tax rate and positive 7.0% for members subject to a 28% tax rate.

Quarterly Investment Returns

Period	Quarter Ending	Taxable Interest Rate	Non Taxable Interest Rate	Total Interest Rate Before Tax	Total Interest after tax 10.5% PIR	Total Interest after tax 17.5% PIR	Total Interest after tax 28% PIR
Quarter 1	June 2017	2.4%	0.5%	2.9%	2.6%	2.5%	2.2%
Quarter 2	September 2017	0.7%	2.1%	2.8%	2.7%	2.7%	2.6%
Quarter 3	December 2017	0.8%	2.9%	3.7%	3.6%	3.6%	3.5%
Interim	March 2018	0.8%	-2.0%	-1.2%	-1.3%	-1.3%	-1.4%
Interim	Year to date	4.8%	3.5%	8.4%	7.9%	7.5%	7.0%

*All rates are after investment management fees but before any other expenses or insurance costs
They are before/after tax as indicated*

The quarterly investment returns above have been allocated to members accounts, with the exception of March 2018 quarter, showing the interim rate. There has been some volatility, however over the period of a year the plan has performed positively.

An estimated quarterly return for the quarter commencing 1 April 2018 has been calculated up to 26 April 2018. The quarterly return has a negative 0.6% taxable component and a positive 2% non-taxable component. The equivalent after tax return is a positive 1.5% for members subject to a 10.5% tax rate, positive 1.5% for members subject to a 17.5% tax rate and positive 1.6% for members subject to a 28% tax rate.

I will keep members informed when any issues of significance develop that may have an impact on the performance of the Plan.

David S Stevens
Chairman
2 May 2018