



New Zealand Harbours Superannuation Plan

Chairman's Newsletter

November 2012

The most recent meeting of Trustees was held on 15 November 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 September quarter saw strong results from the growth sectors, particularly the NZ share market which was up 13.4%. While NZ bonds were more subdued, global bonds rose 2.6% over the quarter. The NZ dollar continued to climb against the US dollar and the Australian dollar over the quarter.

Over the six months to 30 September 2012 the NZ share market was up 10%. Both NZ and global bonds returned around 5% for the six months to 30 September 2012 and the NZ dollar was up 1.2% against the US dollar from US 0.7644 cents.

Plan earning rates

The Trustees discussed the report from the Plan's Investment Consultant for the quarter to 30 September 2012, which showed that the Plan's overall investment return over the quarter was positive. The overall return for the quarter was positive 4.89% compared to the benchmark return of 3.81% and the CPI of 0.26% for the quarter. The Plan continues to achieve good returns when compared with its peer measurement group. The return for the quarter was ranked 12 out of 16 similar funds in its peer group, the return for one year was ranked 3 out of 16 in the peer group and the return for three years was ranked first in the peer group.

The allocated return for the quarter to 30 September 2012 was positive 4.7% for members subject to a 10.5% tax rate, positive 4.6% for members subject to a 17.5% tax rate and positive 4.4% 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

As noted in the August newsletter, the Trustees have had some concerns around one of the wholesale investment managers used by TOWER Investments in their Global Equity portfolio. Following discussions with the Plan's Investment Consultant, it was decided to transfer the TOWER global portfolio to OnePath's International Equities Fund. This transfer was completed in mid-November.

Legal documentation

The Financial Markets Authority (FMA) has raised a number of issues with the recent Trust Deed amendment and the Investment Statements / Prospectuses for both the KiwiSaver Scheme and the Superannuation Scheme. This in part is a result of the increased monitoring role that the FMA is undertaking in regard to providers of financial services and the increasing complexity of the securities law. The Trustees have therefore asked Chapman Tripp to undertake a full review of the Plan's statutory documents to address the issues raised by the FMA. In the meantime the Plan has been temporarily closed to new members. It is expected that the new documentation will be completed mid-December, following which the Plan will re-open to new members. Copies of all new documentation will be available on the website by mid-December.

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Chairman of Trustees

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