



New Zealand Harbours Superannuation Plan

Chairman's Newsletter

September 2013

The most recent meeting of Trustees was held on 22 August 2013. 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 was rather weak for most countries and the MSCI developed market index was up just 1.7%. In Europe, only France, Germany and the Netherlands were up and Italy performed the worst this quarter, down 11.0%. Japan had a strong quarter, gaining 10.3%.

Emerging markets are continuing to underperform developed markets and for the quarter were down 4.2%. On a year to date basis they are now down 4.9% - the shine has come off this sector. NZ Government bonds rates rose over the quarter and 10-year bond yields increased from 3.50% in the last quarter to 4.13%. Overseas, US rates rose at an accelerated pace, with the 10-year US Treasury up from 1.87% to 2.52%.

Plan earning rates

The Trustees discussed the report from the Plan's Investment Consultant for the quarter to 30 June 2013, which showed that the Plan's overall investment return over the quarter was positive. The Plan continues to achieve good returns when compared with its peer measurement group. The return for the quarter was ranked 2 out of 11 similar funds in its peer group, the return for one year was ranked 4 out of 11 in the peer group, the return for three years was ranked 3 out of 11 in the peer group and the return for five years was ranked 2 out of 11 in the peer group.

The allocated return for the quarter to 30 June 2012 was positive 0.4% for members subject to a 10.5% tax rate, positive 0.4% for members subject to a 17.5% tax rate and positive 0.5% 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.

Investment manager monitoring

Since TOWER announced the sale of their investment business and KiwiSaver business to Fisher Funds earlier this year, the Trustees have closely monitored the impact on the Plan. The Investment Consultant had developed a strategy for exit from the TOWER relationship which was discussed thoroughly by the Trustees. The recommendation, which was accepted by the Trustees, was to exit from the Fisher Funds/TOWER investment relationship and move the Global Bonds mandate to a split between OnePath and the Tyndall GSAM Fund, and move the NZ direct property mandate to AMPCI Global Infrastructure Fund.

The Trustees also raised concerns over AMP's NZ Equities mandate. While the Plan has experienced healthy returns from this portfolio recently, the Trustees are aware that AMP has been consistently at the bottom of the pack when compared to its peer group. The Investment Consultant was asked to propose alternative managers for the NZ Equities mandate. The Trustees will keep members updated on any changes to investment managers as they occur.

Trans-Tasman Portability

On 1 July 2013 new legislation came into force enabling the transfers of retirement savings between certain Australian superannuation funds and New Zealand KiwiSaver funds. The Trustees have agreed to participate in this arrangement in regards to funds coming from Australia. This means that if a member of the New Zealand Harbours KiwiSaver Scheme has funds sitting in an Australian complying superannuation scheme regulated by the Australian Prudential Regulation Authority (APRA) they are now able to transfer those funds to their KiwiSaver account. If a member permanently migrates to Australia and withdraws from KiwiSaver on the grounds of permanent migration their funds will be transferred rather than the permanent emigration benefit being paid in cash. If the member permanently migrates to a country other than Australia they will continue to be entitled to the permanent migration benefit in cash. Members are advised to contact the Administration Manager for more details.

David S Stevens
Chairman of Trustees

Secretary to the Trustees

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