



Chairman's Newsletter

September 2019

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 15 August 2019.

The Plan Trust Deed

It was agreed to implement some changes to the Trust Deed to enable:

1. A Member who remains in Service after reaching his or her Normal Retirement Date to elect to use the Conservative Portfolio for the investment of all or some of the amount retained in the Plan by him or her; and
2. A Member, subject to the consent of the Trustee, to make a withdrawal from his or her Member Account to purchase an estate in land, otherwise known as a Kiwisaver First Home Withdrawal. Applicants must meet qualifying conditions corresponding to those set out in the KiwiSaver Act 2006. Additional information is available in The Ports Retirement Plan Other Material Information (OMI) document available on the Disclose and Plan's website or by contacting the Administration Manager.

Investment Markets Overview – Quarter to 30 June 2019

June was a volatile quarter for investors. While the month of April continued in the same positive manner as the previous quarter, May saw sharp falls in most equity markets. Sentiment did however, turn around in June and the overall quarter was a good one for the Plan.

Global equity markets generally performed well over the quarter and were up 3.6% (in local currency terms). In emerging markets, China fell by some 3.7%.

In our corner of the world, equity markets fared very well. The S&P/NZX 50 rose 6.8% and the S&P/ASX 200 rose 8.0%.

As has become the norm in recent years, volatility was largely spurred by trade tensions between the U.S. and China. Tough talk by the U.S. President tends to sour markets, while a more conciliatory tone tends to see a rebound.

Meanwhile, the U.S. Federal Reserve appears to have reached the end of its tightening cycle and is guiding the market to expect cuts to its policy rate. The market sees two or three 0.25% cuts as most likely by December.

With Brexit issues to the fore the UK market lagged most other markets this quarter, rising by just 2.0%.

Closer to home, both the Reserve Bank of New Zealand and the Reserve Bank of Australia cut interest rates by 0.25% over the quarter as they look to stimulate softening economies. (The RBA followed this up with a further cut in July). New Zealand inflation remains benign, coming in at 1.7% for the year to 30 June, and the market expects further action from the RBNZ to further reduce interest rates this year.

Plan Earning Rates

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 previous allocated at the end of each quarter).

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



Month ended	Taxable	Non-Taxable	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	-0.2%	1.7%	1.6%	1.5%	1.6%	1.5%
31 May 2019	0.1%	-1.1%	-1.0%	-1.0%	0.5%	0.5%
30 June 2019	1.2%	1.4%	2.3%	2.4%	2.8%	2.9%
31 July 2019	0.3%	1.3%	1.5%	1.5%	4.3%	4.5%
31 August 2019	-0.3%	0.4%	0.2%	0.2%	4.5%	4.7%
Conservative Option						
30 April 2019	-0.2%	0.8%	0.7%	0.6%	0.7%	0.6%
31 May 2019	0.6%	-0.4%	0.0%	0.1%	0.7%	0.7%
30 June 2019	1.3%	0.6%	1.5%	1.7%	2.2%	2.4%
31 July 2019	0.5%	0.6%	1.0%	1.0%	3.2%	3.5%
31 August 2019	1.2%	0.2%	1.1%	1.2%	4.3%	4.7%

Conservative Investment Option

The Trustees agreed to make some additional changes to the administration of the conservative investment option. It is now open to a new grouping of members defined as Qualifying Members.

Qualifying Members (a new definition of membership)

A Qualifying Member means a Deferred Member or a Member who remains in Service after their Normal Retirement Date (i.e. currently aged 65). Deferred Members are members who have left service but have chosen to stay in the Plan with an investment only account.

Conservative Investment Option for Qualifying Members

The Conservative Investment Option (CIO) fund is only available for Qualifying Members. The CIO is designed to encourage members who have attained age 65, or who leave the service of an Employer at an earlier age to retain their accumulated savings in the Plan. The new conservative investment option provides access to a lower risk investment option. Those members approaching age 65 will receive a letter outlining their investment options, including the option to continue with no change, or to consider an investment switch of some or all funds from balanced to conservative.

If when you leave service prior to age 65 and you choose to retain funds in the Plan (i.e. to become a 'Deferred Member') you will be offered a choice of investment strategy:

- remain in the Plan's **Balanced** option (which is where it is now); or
- invest in the Plan's **Conservative** Investment Option; or
- choose a mix of Conservative and Balanced.

You will need to advise the Administration Manager of your selection at the time you leave. For further information please look on the Plan's website (<https://portsretirement.org.nz/>) or contact the Administrator Manager. **As in all cases when considering the investment of your savings, especially the funds already accumulated for your retirement, the Trustee encourages you to seek professional financial advice before making any decisions.**

David S Stevens
Chairman