



New Zealand Harbours Superannuation Plan

Chairman's Newsletter

March 2013

The most recent meeting of Trustees was held on 28 February 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 December quarter saw a positive result for most markets, with the MSCI developed markets index up 2.9% in local currency terms for the quarter. Almost all markets had a positive quarter and France and Germany were up 8.2% and 5.9% respectively. Greece had a strong quarter, up 25.0% as did Austria (16.1%) and Japan (17.6%)

Emerging market performance was up a strong 5.3% for the quarter. NZ Government bonds rates rose slightly over the quarter with five-year rates up 4 bps to 2.91% while 10-year rates were up 6 bps to 3.53%. 10 year US Treasuries rose 13 bps from 1.65% to 1.78%.

Plan earning rates

The Trustees discussed the report from the Plan's Investment Consultant for the quarter to 31 December 2012, 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 4 out of 15 similar funds in its peer group, the return for one year was ranked 3 out of 15 in the peer group and the return for three and five years was ranked first in the peer group.

The allocated return for the quarter to 31 December 2012 was positive 3.4% for members subject to a 10.5% tax rate, positive 3.3% for members subject to a 17.5% tax rate and positive 3.1% 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

TOWER announced on the 26th February the sale of their investment business and KiwiSaver business to Fisher Funds. The divestment is part of TOWER's review of its business prompted by the desire of its main shareholder GPG to wind down and rationalise its own business. The sale follows on the divestment of the health insurance business to NIB prior to Christmas. Fisher Funds paid \$79 million for the TOWER business and the transaction will be completed on 2 April 2013.

The Trustees will closely monitor the developments with TOWER and its integration with Fisher Funds over the next few months. The Investment Consultant has also been asked to develop a strategy for exit from the TOWER relationship should the need arise.

Legal documentation

As advised in the November 2012 newsletter the Plan was temporarily closed to new members while its statutory documentation was reviewed and updated by Chapman Tripp. This exercise was satisfactorily completed in mid-December 2012 and the Plan reopened to new members.

Copies of all new documentation are available on the website.

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Chairman of Trustees

Secretary to the Trustees

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