



New Zealand Harbours Superannuation Plan

Chairman's Newsletter

August 2011

The most recent meeting of Trustees was held on 11 August 2011. The purpose of this newsletter is to bring you up to date on some of the issues discussed by the Trustees.

Investment performance

Share markets were flat over the quarter, with losses from most developed markets. In contrast, fixed interest returns picked up. New Zealand was one of the better performing share markets, along with Ireland and Germany. Emerging markets also underperformed, with the index falling by 2.7% and central bankers continuing to tighten monetary policy as inflation pushes higher. There was continued caution in global markets, with the European Central Bank raising interest rates while the Federal Reserve kept the US interest rates near to 0%.

The New Zealand budget in May caused no controversy, as all major initiatives had been signalled well in advance. In July, there was the delayed announcement that the Gross Domestic Product for the March quarter rose by 0.8%, better than expectations. That rise coupled with advice that the CPI for the June quarter was only 1% saw the New Zealand dollar climb to new highs.

Two of the Plan's investment managers, Tower and AMP Capital Investors were questioned about the current market volatility, with stock markets around the world experiencing large movements. Their common response was to point out that the large institutional investors were not involved and that they considered the values of their basic underlying share holdings were still sound. From their perspective they did not see the volatility and falls as cause for major concern and they are not expecting any future serious downward spiral.

Plan earning rates

Based on the investment returns over the quarter to 30 June 2011, the Plan has allocated a return for the quarter of negative 0.7% for members who are 10.5% taxpayers, of negative 0.8% for members who are 17.5% taxpayers and negative 1.1% for members who are 30% taxpayers. Those returns are after deduction of investment fees, expenses and tax.

Based on the monthly investment returns for July and a market view of the investment returns since that date, interim interest rates for the quarter to 30 September 2011 of negative 4.5% for members who are 10.5% taxpayers, negative 4.7% for members who are 17.5% taxpayers and negative 4.9% for members who are 30% taxpayers have been currently accepted by the Trustees. However, as interim interest rates are used only for the calculation of benefits for members who leave the Plan, the rates will be recalculated whenever there is a change in investment return.

Because tax is payable when interest is allocated, all the benefits provided from the Plan are tax free.

Investment portfolio reviews

TOWER Investments, who currently manage a dedicated Australian share portfolio and a global equity portfolio, has advised that it will be making significant changes to the way it will structure and manage these portfolios.

As a result the Trustees have asked the asset consultant for a report on and recommendations for the best options for the future management of these two portfolios.

Initial reports from the consultant have been received and are under consideration. The Trustees are likely to make changes and appoint a new management structure. It is anticipated that any changes will be completed by the end of September. Members will be advised as soon as a final decision has been made.

Change of personnel

Lyn Rattee who has administered the plan for a number of years is retiring from Melville Jessup Weaver at the end of August. All queries should now be directed to Kirstie Knapp, email address kirstie.knapp@mjlw.co.nz.

David S Stevens
Chairman of Trustees

Secretary to the Trustees

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