



New Zealand Harbours Superannuation Plan

Chairman's Newsletter

February 2006

The most recent meeting of Trustees was held on 16 February 2006. The purpose of this newsletter is to bring you up to date on some of the issues discussed by the Trustees.

Investment performance

The quarter ended 31 December 2005 was one in which overseas equity markets continued to perform strongly, while the New Zealand equity market stalled. International markets ended higher, with strengths in Japan and Europe. The New Zealand market fell by 1.9%, with particular concerns over the outlook for 2006. In the fixed interest sector, New Zealand yields fell by 0.25% in the quarter, about twice the fall of Australia, while in the US yields rose slightly. The 31 December 10-year bond rates were 5.68% in New Zealand, 5.22% in Australia and 4.39% in the US. Interestingly, commodity prices rose overall, with Gold moving to more than \$500 an ounce. Business confidence continued to slide due to the rise in interest rates and the high New Zealand dollar.

The New Zealand Official Cash Rate was twice increased during the quarter, leading to a 7.25% rate at the end of the year. The quarter also saw the New Zealand dollar rise against the US dollar, to a high of almost 72 US cents, before falling to a low of just over 67 US cents at the end of the quarter.

There is an expectation of slowing economic activity in New Zealand for the 2006 year, so that the New Zealand share market will struggle to perform well. International shares should be supported by a strong US economy, relatively low inflation and growth from economies such as China. With interest rates likely to increase in the US, the New Zealand fixed interest rates should also increase with the higher interest rates impacting on consumer spending.

Plan earning rates

Based on the returns over the quarter, a rate of interest of positive 1.5% after investment fees and expenses was allocated to members' balances for the quarter ending 31 December 2005. A total return of 7.3% has thus been achieved in the first nine months of the Plan's financial year.

Although the investment managers project marginally positive returns for the next quarter to 31 March 2006, the present situation is that an interim after tax rate of positive 1.75% has been accepted by the Trustees as applying for the balance of the quarter. That interim rate is updated each month and is only used to calculate benefits for members who leave the Plan.

The value of membership

An analysis of the accumulation of money in the Plan shows the value of membership. Older members have more contributory Plan service and the average amount held by members increases significantly with age, as shown in the following table:

Age	30 - 34	35 - 39	40 - 44	45 - 49	50 - 54	55 - 60
Average balance	\$24,000	\$30,900	\$56,400	\$94,200	\$126,900	\$148,000

General information on the benefits available to a member of the Plan can be found from the Plan's website (<http://www.harbourssuper.org.nz>). Specific information about the balances and benefits available to an individual member is held on a secure part of the website, for which members have a password. The Administration Manager should be contacted if a password has been forgotten.

Statutory requirements

The Trustees were advised that the Prospectus and the Investment Statement comply with the relevant legislation. The current Prospectus and the Investment Statement can be found on the Plan's website and are also held by the Administration Manager, although copies can be obtained on request.

Complaints

The Trustees were advised that there are no outstanding complaints. Members should be aware that a complaints procedure is available to them if there are outstanding issues that they do not consider have been dealt with satisfactorily.

David S Stevens
Chairman of Trustees