

Message from the Chairman

The Trustees are mindful that members will be concerned at the effect of the outbreak of Covid-19 and the resulting economic disruption on investment markets. Share markets have fallen substantially around the world and this is inevitably effecting investment returns.

The returns (after tax at a PIR of 28%) for the month of February were -3.71% for the Balanced Portfolio and -1.18% for the Conservative Portfolio giving YTD returns for the Balanced and Conservative Portfolios for the 11 months to the end of February of 5.67% and 4.19% respectively. Since the end of February, share markets have continued to be very volatile to the extent that for the full financial year, it is likely the return of the Balanced Portfolio, in particular, will be negative.

While the current downturn in markets is particularly severe, it needs to be seen in the context of recent returns. The Balanced Fund produced returns of +4.9%, 5.9% and 8.8% for the 2019, 2018 and 2017 financial years respectively while the Conservative Portfolio produced returns of 2.9%, 4.0% and 4.5% for each of these years respectively. The ten-year average returns of the Balanced and Conservative Portfolios have been 6.50% and 5.30% respectively. The higher returns of the Balanced Portfolio are in line with expectations that, in the medium to long term, this portfolio will outperform the Conservative Portfolio although the returns of the Balanced Portfolio will be more variable.

Markets are currently extraordinarily volatile. The last six trading sessions of the S&P 500 saw three rises of 5% or more intermixed with three falls of 5% or more. This is extremely unusual. Thus, trying to time exits out of and then entries back into markets is extremely risky and problematical. Missing out on one of the positive days would have a significant impact on the long-term returns.

Trustees' Response to Current Market Uncertainties

Faced with the current market uncertainty, the response of the Trustees is to retain the current asset allocations of the Balanced and Conservative Portfolios to shares and bonds. This is in accordance with the Trustees investment beliefs set out in our Statement of Investment Policies and Objectives, the advice of our Investment Consultant and general investment practice.

Advice to Members

The Trustees are precluded from offering members individual financial advice. Whether members respond to the current market uncertainties by changing portfolios or suspending or reducing contributions is for members to decide. If members are in doubt they should obtain individual financial advice.

The Trustees would caution members against switching portfolios unless their individual financial circumstances have changed. Members should generally not change their choice of portfolio in response to financial market fluctuations. In the words of an investment commentator on National Radio a few days ago, generally members should "sit tight" and weather the storm.

Similarly members are cautioned against suspending or reducing contributions. Suspending or decreasing contributions will generally mean that employer contributions will also be suspended or reduced and waterside workers would no longer be entitled to the additional death benefit.

Deferred members are reminded that if they chose to withdraw their full account balance the Scheme is only able to accept contributions through payroll and cannot accept lump sum cash investments from members.

Benefit Statements to 29 February 2020

The Scheme's Administration Manager (MJW) has just completed the end of February credited rate process so members can expect to see their updated benefit statements to 29 February 2020 on the scheme website by Friday this week. As usual, members are welcome to call or email MJW for a more up to date estimate of their balance.

Further Questions?

If members have more questions you are welcome to ring me on 04 471 2227 or 021 074 8524 to discuss

David Young
Chairman