

NEWSLETTER TO MEMBERS

INVESTMENT RETURNS

The following table shows recent full year investment returns for completed financial years, as well as the returns in the 2018-19 year to date (all figures are before fees and tax). Returns for the five years since March 2014 have been very strong. Returns for the first six months of the current scheme year have also been strong. The impact of the seven weeks since 30 September 2018 have brought the year to date returns down under 1.0%.

Financial Year	Estimated*			2016-17	2017-18	2018-19 to 30 Sep	1-Oct to 31 Oct	1-Nov to 19 Nov	2018-19 to 19 Nov
	2013-14	2014-15	2015-16						
	%	%	%	%	%	%	%	%	%
Balanced Fund	11.3	10.0	14.6	3.9	11.5	6.0	-4.1	-0.9	0.8
Conservative Fund	7.9	4.5	11.0	5.0	6.7	2.2	-1.5	-0.4	0.3

*These returns are estimated by looking at historical market performance of each Fund's current investment strategy.

STATE OF THE MARKETS

October saw a sharp downturn in share markets globally. Over October New Zealand shares were down over 6% while share markets in developed economies around the world fell 6.8% on average. Rising interest rates in the US also meant that global bond portfolios were weak.

What happened?

Perhaps the most obvious trigger for this downturn was the decision of central banks in the US and elsewhere to continue to raise interest rates. The European Central Bank has also signalled its intention to end its quantitative easing programme, which was implemented following the 2008 global financial crisis. The speed of the interest rate hikes unnerved investors, many of whom saw these higher rates as a threat to corporate profits. This encouraged investors to shift money away from stocks in favour of the now-higher interest provided by bond and cash investments.

The strong performance of stock markets in recent years, together with signs of increasing inflation across the world have also contributed to the nervousness of investors. There appears to be little fundamental basis for these concerns, other than the feeling that a market downturn is "overdue" because of the long period of good performance.

Investor concerns have also been mounting around various political difficulties developing over the year. Probably the most important of these is the ongoing trade war between the US and China, and the effect that this has had and may continue to have on firms that rely on global trade. There are also concerns around Italy's new government which is pushing back on European demands around fiscal policies. More recently, the disappearance and death of Saudi journalist Jamal Khashoggi at his embassy in Istanbul has added to the instability between the West and the Middle East.

Impact on the Scheme

Both the Conservative and the Balanced Portfolios have an allocation to shares. The Conservative Portfolio targets a 17.5% allocation to shares while the Balanced Portfolio targets a 58% allocation to shares. There is no doubt that the impact of recent events have been negative for both portfolios, although the Conservative Portfolio has been less affected than the Balanced Portfolio due to its more defensive nature.

Administration Manager

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It is worth remarking that the same share allocations that have hurt performance in the last two months have been the main contributors towards strong returns in recent years.

The results show that both portfolios have had very healthy returns despite other bouts of short-term market volatility. The falls seen in October and November (to date) have been considerable, but the overall returns for the 2018/19 year to date remain positive for both portfolios, albeit lower than previous years.

Moreover, the Balanced Portfolio's greater allocation to shares has seen it earn higher returns than the Conservative Portfolio in most years.

How is the Scheme positioned?

The Trustees continue to believe that the best strategy to deal with market volatility is for the Scheme to continue with its well-diversified investment portfolios. The Trustees believe that taking short-term action, in reaction to market movements, more often than not destroys value over the long-term. The Trustees do, however, regularly review the investment strategy to ensure that it is fit-for-purpose and appropriate for today's markets.

The Scheme employs high quality, specialised fund managers in a diverse range of sectors (shares, bonds, alternative assets, and cash). Each manager in turn selects a diverse portfolio of securities from within their universe. This spreading of risk greatly reduces the impact of volatile markets.

The managers themselves endeavour to identify risks in advance and position the portfolios to protect against excessive losses. With that said, the Trustees remain vigilant of market events and ready to act should the prospects for any of the investment managers deteriorate.

PORTFOLIO SELECTION

Please note that the Scheme and its Trustees are unable to provide personalised financial advice. However, the Trustees are able to make the following generalised comments.

The Scheme operates Balanced and Conservative Portfolios with the aim of allowing members to choose the portfolio that best suits their needs and risk appetite. Members have the discretion to choose how to allocate their investments between the two portfolios. The Balanced Portfolio takes more investment risk than the Conservative Portfolio.

Conventional wisdom is that by accepting more investment risk, members will be compensated with higher returns over the long term. That is, while there may be greater fluctuations in the short term, the long-term result will be a larger investment balance. This may be a compelling option for investors with a long-time horizon (i.e. with many years to go before retirement).

Conversely, members can choose to take less investment risk to have more surety of the value of their investments on a short-term basis. This may mean a lower investment balance over the long term, but does provide a less volatile experience. This may be a compelling option for investors with a short-time horizon (i.e. with only a few years to go before retirement).

Members should be cognisant that changing portfolios should not be enacted on a short-term basis and should instead relate to their time horizon and long term risk appetite. Removing investment risk after a downturn in markets may lead to one missing out on the subsequent rebound in investment markets.

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TRUSTEES

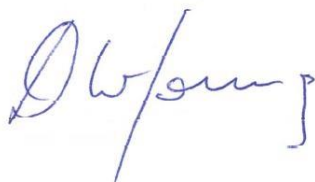
Mike Clark and Alan Windsor are currently standing down as union officials and, following the elections currently in progress, MUNZ will be appointing new trustees. Mike and Alan have served as trustees for many years, initially of the Seafarers Retirement Fund and more recently of the Maritime Retirement Scheme. Mike and Alan have well represented the interests of members and have been thanked by the trustees for their services to the Fund.

Diane Edwards of Ports of Auckland and appointed as a trustee by Stevedoring & Ports Inc has recently resigned as a trustee. S&P Inc are in the process of appointing a replacement trustee to represent the employers of waterside workers. At their November meeting, the trustees acknowledged and thanked Diane for her valuable contribution particularly in regard to governance issues. Diane was a trustee for 5 years.

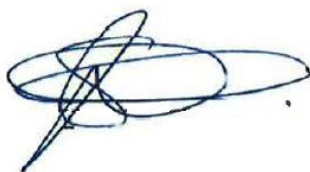
If members have any queries they can contact MJW (Maria Kane)

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Phone 0800 947 357



David Young
Chairman



Joe Fleetwood
Deputy Chairman

DISCLAIMER: The Trustees of the Maritime Retirement Scheme and the Maritime KiwiSaver Scheme are the issuers of membership in these schemes. The product disclosure statements for these schemes is available on the Offer register at www.companiesoffice.govt.nz/disclose.

The information in this newsletter has been prepared for the purpose of providing general information only, without taking account of any particular member's objectives, financial situation or needs. Members should, before making any investment decisions, consider the appropriateness of this information and whether to seek professional advice, having regard to their objectives, financial situation and needs.

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