



Eastern & Central
**COMMUNITY
TRUST**

Helping fund a better community

EXECUTIVE MEETING
Wednesday 29th April 2015
Commencing at 3:00 p.m.

AGENDA PAPERS

**AGENDA FOR A MEETING OF THE EXECUTIVE COMMITTEE OF THE
EASTERN AND CENTRAL COMMUNITY TRUST INC.,
TO BE HELD IN THE BOARD ROOM, 1ST FLOOR, WESTERMAN'S BUILDING,
102-104 RUSSELL STREET SOUTH, HASTINGS,
ON WEDNESDAY 29TH APRIL 2015, COMMENCING AT 3.00 P.M.**

Ring 08 30 33, then on voice prompt enter the PIN 333352 followed by the hash key.

SECRETARIAL AND BOARD ADMINISTRATION ITEMS

1. Apologies:
2. Draft Minutes of the Executive Committee Meeting held 26th February 2015: [pages 3-6](#)
3. Matters arising and action items: [pages 7-8](#)

OPERATIONAL REPORTS TO THE EXECUTIVE

4. General Manager's Report to the Committee: [page 9](#)

FINANCIAL INFORMATION PAPERS

5. Financial Report to 31st March 2015: [pages 10-12](#)
6. Summarised Financial Position & Financial Performance YTD: [pages 13-22](#)
7. Asset Allocation & Summarised Fund Manager reports: [pages 23-46](#)
8. MCA March 2015 Monthly Report: [pages 47-87](#)

EXECUTIVE DECISIONS

9. Discretionary Donation Approvals; [page 88](#)

EXECUTIVE/BOARD INFORMATION PAPERS

10. Hedging Reports: [pages 89-98](#)
11. Investment Commentaries & Market Reviews: [pages 99-124](#)
12. General Business

Report type:	Secretarial and Board Administration Items
Recommendation:	The Executive considers the Minutes of the Executive Meeting held on 26 th February 2015 and approves as a true and accurate record of the meeting.
Agenda item no:	2
Subject:	Minutes of the Executive Committee Meeting held on 26 th February 2015
Responsible for the report:	General Manager

Purpose of report:	To record the recommendations of the Executive from the Executive Meeting, including decisions taken, and to approve the minutes from 26 th February 2015 as a true and accurate record of the meeting.
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**MINUTES FOR THE MEETING OF THE EXECUTIVE COMMITTEE OF THE
EASTERN AND CENTRAL COMMUNITY TRUST INC.,
HELD IN THE MEETING ROOM, 1ST FLOOR, WESTERMAN'S BUILDING,
102-104 RUSSELL STREET SOUTH, HASTINGS,
ON THURSDAY 26TH FEBRUARY 2015, COMMENCING AT 10.00 AM.**

PRESENT:

Committee: Bruce Mills (Committee Chair), Anna Hansen, Geoff Milner and Stephen Kerr (via teleconference).

Staff: Jonathan Bell (General Manager), Bev Watkins (Donations Manager) and Kelie Jensen (Trust Secretary).

SECRETARIAL AND ADMINISTRATION ITEMS

1. Apologies

1.1 RESOLUTION

The Executive resolved that an apology from Kaye McAulay be accepted.

A Hansen/G Milner

CARRIED

2. Draft Minutes of the Executive Committee Meeting held on 22nd December 2014

The Executive considered the draft minutes included in the Agenda Papers for approval.

2.1 RESOLUTION

The Executive resolved to approve the minutes of the meeting held on 22nd December 2014 as a true and accurate record of the meeting.

A Hansen/B Mills

CARRIED

3. Matters Arising and Action Items

Matters Arising:

- No matters arising.

Action Items:

- Item 4 – M Chamberlain was to circulate paper explaining the 2% additional long-term income benefit of hedging – J Bell please follow up. **ACTION ITEM** Also noted that CCT and ECT don't hedge, although review identified that ECT were missing out on income as hedged portfolio generally outperforms unhedged over the long term. **ACTION ITEM**
- Item 10 – in progress; J Bell and A Arcus are working on a report for Auditors in conjunction with a larger discussion around the effect of new reporting standards on ECCT's Annual Report.

OPERATIONAL REPORTS TO THE EXECUTIVE

4. General Manager's Report to the Committee

The report was noted.

FINANCIAL INFORMATION PAPERS

5. Financial Report to 31ST January 2015 (pages 10-12)

The Trust's Financial Position and Financial Performance for January were included in the Agenda Papers:

- Page 11: Realised income for January was slightly down on budget, but still a positive variance on YTD income and expenses; YTD Donations slightly under budget.

6. Summarised Financial Position & Financial Performance YTD (page 13-19)

Noted:

- Page 13: Significant increase in Net Assets, now at \$162M.
- Page 14: Huge increase in unrealised income – \$5M in January.
- Page 19: Staff credit card \$6K – includes \$4K on Christmas function, plus Rose's trip to Gisborne. J Bell to include note detailing any extraordinary items from now on.

ACTION ITEM

7. Asset Allocation & Summarised Fund Managers Reports (pages 20-51)

Noted:

- Page 13: Note huge increase in portfolios, although unrealised – now \$100M+ in equities. Discussion around how this affects weightings: expect equalising from Forsyth Barr soon and Elevation Capital quarterly; does this 2% mandate in SIPO force narrow advisor decisions? J Bell to ask M Chamberlain for feedback and include as Agenda Item for discussion at March Trust Meeting. **ACTION ITEM**
- Page 20: Growth Assets within allowable range, but above target of 60%.
- Page 21: Correction to second graph – Actual YTD Investment Income should be \$6.5M not \$4.9M
- Page 22: Correction - \$1M was reinvested, so BNZ now has \$3.5M, not \$2.5M.
- Page 24: Concern reiterated re Elevation Capital cash balance of \$3.5M. J Bell please confirm interest rate **ACTION ITEM** as we may be better to bring the cash back to ECCT.
- Page 44: Large amounts maturing over next 12 months. Suggestion is to use some of this cash for 3-5 year Term Deposit to fill gap in 3-4 year and 5-6 year maturities.
- Noted J Bell e-mail to Board re ANZ Bond opportunity.
- General discussion around whether the Board should consider banking some of the large unrealised gains before likely market correction: general thinking is no – long term investment focus; priority is growth stocks with good dividend streams; if we take gains and re-enter the market, new stocks will be subject to any correction.

8. MCA January 2015 Monthly Report

Noted:

- No major transactions, but interesting on Page 75 to compare performance again.

9. Draft Budget 2015/16

Noted:

- Budgeted loss of \$230K, compared to \$190K in current year budget.
- Computer Services – please check whether proposed saving of \$20K is realistic, particularly as second TPK upgrade will likely fall in the budget year.
- The Executive would expect further explanation / detail at the March Trust Meeting, particularly re the amounts for Staff Training and Staff Travel
- Noted that a negative budget isn't ideal, however Capex and Regional Reserve Fund (please amend wording in budget **ACTION ITEM**) are not Statement of Financial Performance budget items and should be shown separately – this would result in balanced budget. J Bell to amend budget on this basis and recirculate to the Executive prior to the March Trust Meeting. **ACTION ITEM**

- Discussion also around the Donations calculation of 4% on capital base – ie: actual capital base is much higher than inflation adjusted internal calculation. Request for clarity on which capital base figure must be used before the 2015/16 donations amount is set at the March Trust Meeting – J Bell to provide policy wording from SIPO – Section 7. **ACTION ITEM**
- Chair and Deputy Chair require worksheet detailing staff remuneration. J Bell to have this information available to them for the March Trust Meeting. **ACTION ITEM**

EXECUTIVE DECISIONS

10. Discretionary Donations

The Executive considered the discretionary donations included in the Agenda Papers.

10.1 RESOLUTION

The Executive resolved to endorse the staff recommendations on pages 93-102, for the following standard donations:

- Cancer Society of NZ Wairarapa Centre Inc –\$3,000
- Piping and Dancing Assn of NZ Inc –\$2,000
- Poverty Bay Cricket Association – \$4,000
- Akitio Sheep Dog Trial Club Incorporated – \$2,000

A Hansen/G Milner
CARRIED

EXECUTIVE / BOARD INFORMATION PAPERS

11. Hedging Reports

Volatility continues. Most recently at positive \$377K.

12. BNZ Information / Market Commentary Papers, AMP November Quarterly Report

Nothing noted.

GENERAL BUSINESS

13. General Business Items

Andrew Hunt will be in NZ and presenting in Auckland the day before the Philanthropy Conference – J Bell to arrange for one ECCT representative to attend and report back if possible. **ACTION ITEM**

14. Next Executive meeting will be held on Wednesday 29th April at 3pm.

15. Close of Executive Committee Meeting

There being no further business, B Mills closed the meeting at 11.03am.

Bruce Mills
Chairperson
29th April, 2015

Report type:	Secretarial and Board Administration Items
Recommendation:	The Executive receives the Action Plan from the previous Executive Meeting dated 26 th February 2015.
Agenda item no:	3
Subject:	Executive action items and matters arising progress report
Responsible for the report:	General Manager

Purpose of report:	To ensure that assigned tasks are monitored and completed.
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EXECUTIVE COMMITTEE ACTION PLAN

Meeting Date; 26th February 2015

#	ACTION	WHO	WHEN	STATUS
1	Add amended Trustee exit interview strategy to plan and charter	Jonathan	At Governance Charter Review	Pending
2	Hedging Paper from Michael Chamberlain was to be circulated to Trustees	Jonathan	ASAP	Completed
3	Staff Credit Card Spending – GM to report in more detail on spending	Jonathan	ASAP	Noted
4	Portfolio Allocation – Discuss mandate with Michael Chamberlain and include in March meeting	Jonathan	March	To be discussed in June Strategic Retreat
5	Elevation Capital Interest rate on Call – Check with Chris Swasbrook and consider feasibility of bringing funds in house	Jonathan	ASAP	Interest Rate is 3.5%
6	Draft Budget Changes <ul style="list-style-type: none"> a. Remove CAPEX and Regional Reserve from Budget b. Remuneration spreadsheet to be provided to Chair and Deputy Chair c. Re-circulate amendments to Exec committee prior to March Meeting 	Jonathan Jonathan Jonathan	ASAP	Completed Completed Completed
7	Capital Base figure - Provide clarification which can be used for 2015-16 Budget donations calculations	Jonathan	March	Completed Paper on Base figure to be provided for the May meeting
8	Andrew Hunt Presentation – Trustee to attend	Jonathan	ASAP	Kaye attended in Wellington, Ron in Auckland (I Think)

Report type:	Operational Reports to the Executive
Recommendation:	The Executive receives and accepts <ol style="list-style-type: none"> 1. The Financial Report for the period to 31st March 2015. 2. The General Manager's report for the period to 24th April 2015.
Agenda item no:	4
Subject:	General Manager's Report to the Executive Committee
Responsible for the report:	Jonathan Bell

Purpose of report:	To inform the Executive of progress and/or exceptions to the achievement of the 2014/15 Business Plan (inclusive of key Financial performance measures to 31 st March), and other KPI's to 24 th April 2015. To flag any items of risk for the Executive and to flag any other items of significance to the Executive.
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1.0 Financial Performance

1.1 Financial Position & Financial Performance

We have come to the end of our financial year and the decision to realise our hedging contract and income from PIMCO resulted in a break even position for the Trust from a Realised income perspective.

The realisation of the hedging contract was a good learning curve for me. The scenario at the beginning of Monday 30th March had my estimate of \$520k (not the \$620k in my email, this was a typo that I only noticed after the email). The numbers I was using were an average from the RBNZ, not the actual rates at the time, the actual rates put the contract at \$420k. I closed the contract out on Tuesday 31st at approximately 1:00pm and we realised \$374k, less than the \$500k we were anticipating. In the following two days the dollar continued to fall and by the Friday the closing rates would have realised closer to \$150k. Since then the strengthening dollar has meant we would have been better to stay with the contract. So what have I learned:

- a. If a decision is made by the Trustees to close out a contract, phone the BNZ Currency team immediately for the closing rates.
- b. Advise the Trustees of the rates and ask for a decision yes or no.
- c. If the decision is yes, advise BNZ immediately of the decision.

The dashboard is attached with the key comments noted on the second page.

1.2 Hedging Report – The hedging report as at 31st March is attached.

2.0 Risk Register

There is nothing which has happened in the past month which needs to be brought to the attention of the Executive or the Trustees.

3.0 HR






Nothing to report.




Jonathan Bell
General Manager
April 24th 2015

Report type:	Financial Information Papers
Recommendation:	The Executive notes the financial position, financial performance, asset allocation, and summarized fund manager reports as at 31 st March 2015.
Agenda item no:	5 to 7
Subject:	Financial Reports
Responsible for the report:	General Manager

Purpose of report:	To inform the Executive of where the funds of the Board are invested, the overall performance of the diversified investment portfolio and the current asset allocation and compare performance against budget and agreed benchmarks.
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ECCT MONTHLY FINANCIAL REPORTING DASHBOARD

Month End	Comparison Current Month to Budget			Comparison YTD to Budget			Comments
	31st March 2015			31st March 2015			
	Actual (000's)	Budget (000's)		Actual (000's)	Budget (000's)		
Gross Realised Income	\$ 1.032	\$ 0.567		\$ 7.364	\$ 7.045		Refer to second page or GM Report
Expenses	\$ 0.227	\$ 0.137		\$ 1.715	\$ 1.711		
Net Realised Income	\$ 0.805	\$ 0.430		\$ 5.649	\$ 5.334		
Donations	\$ 0.652	\$ 0.476		\$ 5.316	\$ 5.300		
Profit/Loss	\$ 0.153	-\$ 0.046		\$ 0.333	\$ 0.034		
Investments							
	Feb 28th Value	Mar 31 Value		YTD Change (000's)		March 31st 2014 Value (000's)	
Equity F Barr	52,484	52,227		9,257		42,970	Refer to GM commentary
Equity E Capital	49,067	48,266		5,840		42,426	Refer to GM commentary
NZ Bonds	39,860	40,123		322		39,801	Refer to GM commentary
O'Seas Bonds	15,374	15,493		3,416		12,077	Refer to GM commentary
Own Cash	7000	7000		- 3,000		10,000	Transfer of \$3 mill to O'seas Bonds and equities
	Total	163,109			Total	147,274	
Complaints	Nil			Nil			

	Value increased or ahead of budget
	No change
	Value decreased or behind budget

GM Commentary

Income	<p>Realised income for the month was ahead of budget by \$465k, directly related to the Hedging realisation of \$347k and funds unbudgeted from PIMCO of \$348k YTD Realised income finished ahead of budget by \$320k.</p> <p>Net Income YTD (Unrealised + Realised) finished at \$20.9 mill (Up \$6.9mill since the end of Dec) this is due mainly to the increase in values of equities PIMCO outperformed the budget by \$236k or 32%, Elevation capital were ahead of budget by \$130k, FBARR behind by \$50k</p>
Expenses	<p>Overall expenses for the month were \$227k against a budget of \$137k, a difference of \$90k. End of year expenses ended at \$3.8k Over budget.</p> <p>Monthly expenses were higher in :</p> <ul style="list-style-type: none"> Promotion; Development of Strat Plan and a survey completed of applicants (this will be available at the May meeting) Staff Remuneration ; Three pay periods in the month, year end slightly over at \$7k Professional Expense; Consultant engaged for some strategic work and meeting facilitations Investment Expenses ; Brokerage, Custodian and Fund Managers Fees were over by \$25k, Y/E combined total was over budget by \$16k Depreciation/Amortisation (TKP) ; Not budgeted for accounts for \$35k <p>YTD Expenses with a greater than 5% variance against budget :</p> <ul style="list-style-type: none"> Telephone; the result of an unbudgeted staff member for 5 months Donations Expense ; Mainly Pool reviews, this has been increased for 2015-16 budget Audit Fees ; Extra work compiling the Financial Statements Brokerage/Custodian Fees ; These have been increased in the 2015-16 budget
Donations	<p>Approved donations are slightly behind budget for YTD at \$191k.</p> <p>Discretionary Donations for the month were slightly over budget for the month and YTD, not significant</p> <p>Donations approved for the year were slightly over that budgeted by \$160k this was offset by Donations written back of \$148k</p>
Balance Sheet	<p>During the month all investments maintained their gains from the previous two months, hence the amber lights</p> <p>Total net assets have increased by \$15.8m from the beginning of the Financial Year</p>

Eastern & Central Community Trust
Statement of Financial Position
As at 31 March, 2015

	Actual	Last Year
<u>Trust Funds</u>		
Surplus Income	14,085,026	2,552,047
General Reserves	148,247,703	145,695,656
Total Trust Funds	162,332,729	148,247,703
<u>Current Assets</u>		
Petty Cash	5	49
Current	387,548	11,331
Imprest	661	1,316
Call	883,957	686,926
Conference Current 2015	15,826	-
Sundry Debtors	34,538	107,446
Total Current Assets	1,322,535	807,068
<u>Investment Assets</u>		
New Zealand		
Shares Forsyth Barr	52,227,000	42,970,359
Shares Elevation Capital	48,266,473	42,426,400
Hedging Contracts NZ	804,112	1,352,990
Cash Self Term Deposits	5,500,000	10,000,000
Bonds Self	40,123,905	39,801,233
Te Kete Putea Ltd Partnership	72,525	90,656
Private Equity Pioneer Capital	674,547	581,104
Total New Zealand Investments	147,668,562	137,222,742
Overseas		
Bonds Pimco	15,493,498	12,077,149
Total Overseas Investments	15,493,498	12,077,149
Total Current and Investment Assets	164,484,595	150,106,959
<u>Fixed Assets</u>		
Fixed Assets at Cost	188,447	187,553
Accumulated Depreciation	(154,986)	(152,535)
Total Fixed Assets	33,461	35,018
Total Assets	164,518,056	150,141,977
<u>Current Liabilities</u>		
Donation Creditors	1,939,042	1,658,050
Trade Creditors	167,639	71,118
Creditor Accruals	78,646	165,106
Total Current Liabilities	2,185,327	1,894,274
Net Assets	162,332,729	148,247,703

Eastern & Central Community Trust
Statement of Financial Performance
For The Year Ending 31 March, 2015



	Current Month			Year to date			Full year	
	Actual	Budget	Last Year	Actual	Budget	Last Year	Budget	Last Year
Income								
Realised Investment Income								
New Zealand								
Shares FBarr Interest	8,291	200	1,866	16,585	2,500	89,888	2,500	89,888
Shares FBarr Dividend	177,191	300,000	153,316	1,753,015	1,800,000	997,853	1,800,000	997,853
Shares FBarr Disposal gain/loss	-	-	-	-	-	1,090,932	-	1,090,932
Shares ECap Interest	5,335	200	6,796	55,278	2,500	153,169	2,500	153,169
Shares ECap Dividend	129,018	140,000	147,607	1,930,085	1,800,000	1,005,936	1,800,000	1,005,936
Property NZ Interest	-	-	-	-	-	4,021	-	4,021
Property NZ Dividend	-	-	-	-	-	16,438	-	16,438
Property NZ Disposal gain/loss	-	-	16,864	-	-	62,861	-	62,861
Hedging gain/loss	374,225	-	-	(323,160)	-	1,435,800	-	1,435,800
Bonds Self Interest	313,994	125,000	262,119	2,538,995	2,400,000	2,559,260	2,400,000	2,559,260
Bonds Self Disposal gain/loss	-	-	-	(2,079)	-	-	-	-
Cash Self Realised Income	23,749	2,000	36,404	387,870	320,000	473,206	320,000	473,206
Sundry Income	-	-	-	170	150	10,550	150	10,550
	1,031,801	567,400	624,972	6,356,759	6,325,150	7,899,915	6,325,150	7,899,915
Overseas								
Shares SSGA Dividend	-	-	-	7,823	-	-	-	-
Shares SSGA Disposal gain/loss	-	-	(17,052,390)	-	-	3,237,081	-	3,237,081
Bonds Vngd Disposal gain/loss	-	-	(1,138,166)	-	-	(225,112)	-	(225,112)
Bonds Pimco Interest	-	-	-	999,679	720,000	236,669	720,000	236,669
Property Au Disposal gain/loss	-	-	352,679	-	-	140,442	-	140,442
	-	-	(17,837,877)	1,007,503	720,000	3,389,079	720,000	3,389,079
Total Realised Income	1,031,801	567,400	(17,212,905)	7,364,261	7,045,150	11,288,994	7,045,150	11,288,994
Unrealised Investment Income								
New Zealand								
Shares FBarr change in Currency	(310,074)	-	(1,604,713)	1,606,016	-	(3,315,316)	-	(3,315,316)
Shares FBarr change in Value	6,597	-	1,150,829	6,488,180	-	1,766,424	-	1,766,424
Shares ECap change in Currency	(343,317)	-	(925,565)	2,248,373	-	(2,743,883)	-	(2,743,883)
Shares ECap change in Value	(483,421)	-	294,306	2,457,131	-	1,654,536	-	1,654,536
Property NZ change in Value	-	-	(16,864)	-	-	(0)	-	(0)
Hedging change in Value	(3,290)	-	926,882	(548,878)	-	1,578,350	-	1,578,350
Bonds Self change in Interest	(73,547)	-	(38,001)	676,872	-	52,038	-	52,038
Bonds Self change in Value	23,045	-	(259,765)	208,884	-	(1,217,663)	-	(1,217,663)
	(1,184,007)	-	(472,891)	13,136,577	-	(2,225,516)	-	(2,225,516)
Overseas								
Shares SSGA change in Currency	-	-	(1,232,283)	-	-	0	-	0

Eastern & Central Community Trust
Statement of Financial Performance
For The Year Ending 31 March, 2015



	Current Month			Year to date			Full year	
	Actual	Budget	Last Year	Actual	Budget	Last Year	Budget	Last Year
Shares SSGA change in Value	-	-	18,284,673	-	-	(0)	-	(0)
Bonds Vngd change in Currency	-	-	448,759	-	-	(0)	-	(0)
Bonds Vngd change in Value	-	-	689,407	-	-	(0)	-	(0)
Bonds Pimco change in Value	129,995	-	31,075	466,343	-	75,328	-	75,328
Property Aus chg in Currency	-	-	76,100	-	-	0	-	0
Property Aus change in Value	-	-	(428,779)	-	-	0	-	0
	129,995	-	17,868,952	466,343	-	75,328	-	75,328
Total Unrealised Income	(1,054,012)	-	17,396,061	13,602,920	-	(2,150,187)	-	(2,150,187)
Total Investment Income	(22,211)	567,400	183,156	20,967,182	7,045,150	9,138,807	7,045,150	9,138,807
Expenses								
Administrative Expenses								
Advertising - Statutory	-	-	34,000	13,411	12,000	39,135	12,000	39,135
Promotion	29,113	3,000	1,082	54,513	72,000	23,326	72,000	23,326
Rent & Services	7,326	6,887	7,702	109,577	115,000	103,442	115,000	103,442
Telephone	1,033	1,000	1,483	14,030	12,000	10,832	12,000	10,832
Postage	141	300	194	3,536	4,000	3,438	4,000	3,438
KiwiSaver net Contributions	2,346	1,500	1,904	18,431	18,000	18,055	18,000	18,055
Printing & Stationery	1,083	1,000	746	11,884	16,000	12,807	16,000	12,807
Insurance	(856)	-	-	7,851	8,000	7,031	8,000	7,031
General Expenses	110	370	494	4,720	4,000	5,666	4,000	5,666
Computer Services	(3,078)	3,000	(2,569)	67,252	80,000	62,132	80,000	62,132
Staff Remuneration	53,737	37,445	52,257	482,611	475,000	432,882	475,000	432,882
Staff Training	1,150	-	-	2,034	5,000	115	5,000	115
Staff Travel	1,864	4,000	1,149	18,728	20,000	13,089	20,000	13,089
ACC Levies	-	-	2,025	(544)	2,000	1,961	2,000	1,961
Total Administrative Expenses	93,968	58,502	100,467	808,035	843,000	733,912	843,000	733,912
Trustees Expenses								
Trustees Remuneration	19,765	16,000	15,349	171,300	175,000	169,015	175,000	169,015
Meeting Expenses	6,351	4,000	20,441	53,873	55,000	79,255	55,000	79,255
Trustee Training	-	-	-	1,731	10,000	16,996	10,000	16,996
Liability Insurance	-	-	-	9,537	9,300	8,789	9,300	8,789
Total Trustee Expenses	26,116	20,000	35,789	236,440	249,300	274,056	249,300	274,056
Fee Expenses								
Affiliation Fees	-	-	-	6,325	7,500	7,845	7,500	7,845
Conference Fees	(960)	-	750	(960)	5,000	5,250	5,000	5,250
Donation Expenses	2,353	1,000	1,104	24,015	10,000	1,104	10,000	1,104
Professional Expenses	14,080	4,000	12,706	89,841	90,000	149,691	90,000	149,691
Audit Fees	7,319	15,000	17,750	29,205	18,000	22,426	18,000	22,426

Eastern & Central Community Trust
Statement of Financial Performance
For The Year Ending 31 March, 2015



	Current Month			Year to date			Full year	
	Actual	Budget	Last Year	Actual	Budget	Last Year	Budget	Last Year
Brokerage Fees	6,632	1,000	16,180	57,894	12,000	272,336	12,000	272,336
Custodian Fees	8,520	1,500	5,289	49,050	36,000	59,186	36,000	59,186
Fund Managers Fees	49,906	36,000	52,839	379,101	440,000	398,403	440,000	398,403
Total Fee Expenses	87,850	58,500	106,618	634,471	618,500	916,241	618,500	916,241
Depreciation	1,056	-	1,655	17,289	-	19,312	-	19,312
Amortisation	18,131	-	17,974	18,131	-	17,974	-	17,974
Profit/Loss on Disposal of Fixed Assets	248	-	-	248	-	28	-	28
Total Expenses	227,369	137,002	262,503	1,714,615	1,710,800	1,961,523	1,710,800	1,961,523
<u>Donations</u>								
Community Donations								
Special Donations	446,399	300,000	411,300	2,607,349	2,800,000	2,916,000	2,800,000	2,916,000
Standard Donations	206,080	176,000	129,900	2,040,973	1,780,000	1,588,140	1,780,000	1,588,140
Discretionary Donations	-	-	-	25,143	20,000	16,000	20,000	16,000
Education Initiatives	-	-	-	92,500	150,000	-	150,000	-
Sport Trusts	-	-	-	320,000	320,000	-	320,000	-
Summer Reading Programme	-	-	-	230,000	230,000	230,000	230,000	230,000
Total Donations Approved	652,479	476,000	541,200	5,315,965	5,300,000	4,750,140	5,300,000	4,750,140
Regional Project Reserve Fund	-	-	-	-	300,000	-	300,000	-
Less Donations Written Back	-	-	(459)	(148,424)	(100,000)	(124,902)	(100,000)	(124,902)
Total Community Donations	652,479	476,000	540,741	5,167,541	5,500,000	4,625,238	5,500,000	4,625,238
Surplus Income	(902,060)	(45,602)	(620,087)	14,085,026	(165,650)	2,552,047	(165,650)	2,552,047

EASTERN & CENTRAL COMMUNITY TRUST

CASHFLOW REPORT

FOR THE MONTH ENDING 31 MARCH 2015

Westpac Call Account

Opening Statement Balance	1,261,092
---------------------------	------------------

CASH OUTFLOWS:

Transfer to Current Account	430,000
Monthly Interest to Current Account	
Purchase Term Deposit	

Total cash outflows	430,000
----------------------------	----------------

CASH INFLOWS:

Transfer From Current Account	50,000
Interest	2,865
Maturing Term Deposits	

Total cash inflows	52,865
---------------------------	---------------

Closing Statement Balance	883,957
---------------------------	----------------

EASTERN & CENTRAL COMMUNITY TRUST

CASHFLOW & PAYMENT AUTHORISATION REPORT

FOR THE MONTH ENDING 31 MARCH 2015

Westpac Current Account

Opening Statement Balance	51,436	0
---------------------------	---------------	---

CASH OUTFLOWS:

Payments to creditors	77,480	}
Other expenses & Wages	67,075	
Donations	543,295	
Purchase of fixed asset	0	
Capital Items		
-Purchase of Term Deposit	2,500,000	
-Fee expenses	0	
-Transfer to call a/c	50,000	
-Transfer to imp a/c	1,000	
-Transfer to Elevation Capital	0	
-Transfer to Forsyth Barr	0	
-Transfer to Pioneer Capital	0	
Hedging Close Out	0	
PIMCO	0	
Total cash outflows	3,238,850	

CASH INFLOWS:

Interest Received (Current & Term Deposits)	27,958
Dividends & Interest (Investment Managers)	240,798
Debtors	1,981
BNZ Hedging Pay Out	374,225
Donations Written Back	0
Sale of fixed assets	0
Capital Items	
-Maturing Term Deposits	2,500,000
-Transfer from Pimco	0
-Transfer from Forsyth Barr	0
-Transfer from call a/c	430,000
-Transfer from imp a/c	0

Total cash inflows	3,574,962
---------------------------	------------------

Closing Statement Balance	387,548
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Unpresented Cheques	0
---------------------	---

Closing Cashbook Balance	387,548
--------------------------	----------------

SCHEDULE OF PAYMENTS FROM THE CURRENT ACCOUNT FOR THE MONTH

Payments made in March 2015

The following creditor payments were accounted for in the previous month.

CREDITORS	PURPOSE	Payment Method	AMOUNT
AAA Services	Cleaning	dc	\$668.84
Coldrite	air con service	dc	\$161.00
Aspire Enterprises	Milk	dc	\$22.49
Clansman Motel	Trustees' Accommodation	dc	\$147.50
Contact Energy	power	dd	\$813.16
Corporate Trustee Services	fees	dc	\$4,147.56
Create Ltd	Greendale pool report	dc	\$3,273.19
Credit Card purchases	staff cards	dd	\$3,076.57
Desktop Technology	computer services	dc	\$0.00
Elevation Capital	fees	dc	\$12,687.50
Forsyth Barr	advisory fees	dc	\$12,279.17
Fuji Xerox	Photocopier print charges	dc	\$242.80
Hastings District Council	parking	dc	\$61.00
hastings Taxis	Taxis for Napier to xmas function	dc	\$0.00
Hatmar Holdings	Parking	AP	\$552.00
Hatmar Holdings	Rent	AP	\$4,821.72
Hatmar Holdings	Boardroom / rates / insurance	dc	\$405.77
HB Office Products	stationery	dc	\$0.00
HB Technologies	computer services / new equipment	dc	\$1,455.12
Helene McCormick	Catering	dc	\$0.00
House of Travel	Rose - flights to Wellington	dc	\$493.00
HSM Installation	call out docket	dc	\$96.47
HSM Monitoring	alarm monitoring	dd	\$31.05
IMS	software support/upgrade	dc	\$0.00
Inland Revenue Department	PAYE	dc	\$17,188.79
Mobile Finance Manager	Andy Arcus	dc	\$529.00
NZ Post	Postage	dc	\$386.08
OK Media	promotion - media releases	dc	\$897.00
Online Security	document destruction	dc	\$59.80
Pioneer Capital	drawdown # 11	dc	\$11,502.00
Pitney Bowes	Monthly lease for franking	AP	\$30.48
Ricoh Finance	photocopier lease	ap	\$335.19
Te Kete Putea	third quarter services	dc	\$138.00
Telecom	Telephone costs	DD	\$1,147.87
Tracta	letterhead	dc	\$5,104.57
Triko Security	Security	dc	\$0.00
Warehouse Stationery	Stationery	dc	\$41.12
Xplore.Net Solutions	Website	dc	\$57.50
Trf to imorest		dc	\$1,000.00
			\$83,853.31
<u>REMUNERATION (includes reimbursement of travel)</u>			
Staff & Trustees	Remuneration (net) paid 2.3.2015	dc	\$25,456.56
Staff & Trustees	Remuneration (net) paid 16.3.2015	dc	\$15,669.60
Staff & Trustees	Remuneration paid 30.3.2015	dc	\$20,575.35
<u>DONATION PAYMENTS</u>			
Donations		dc	\$543,295.00
TOTAL PAYMENTS FOR THE MONTH			\$688,849.82

Key to Payment Method

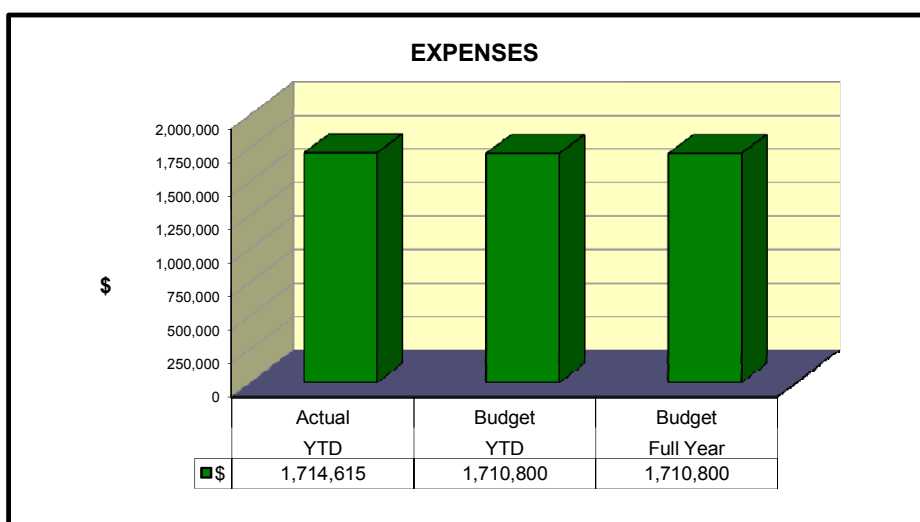
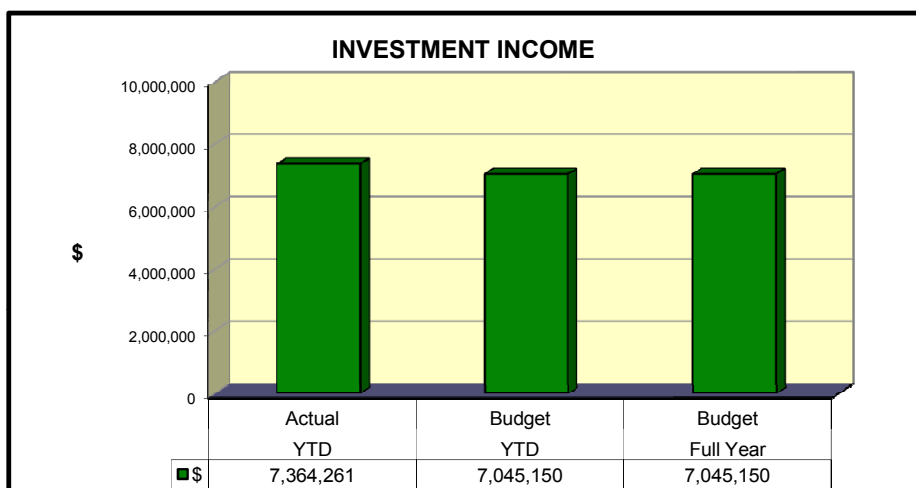
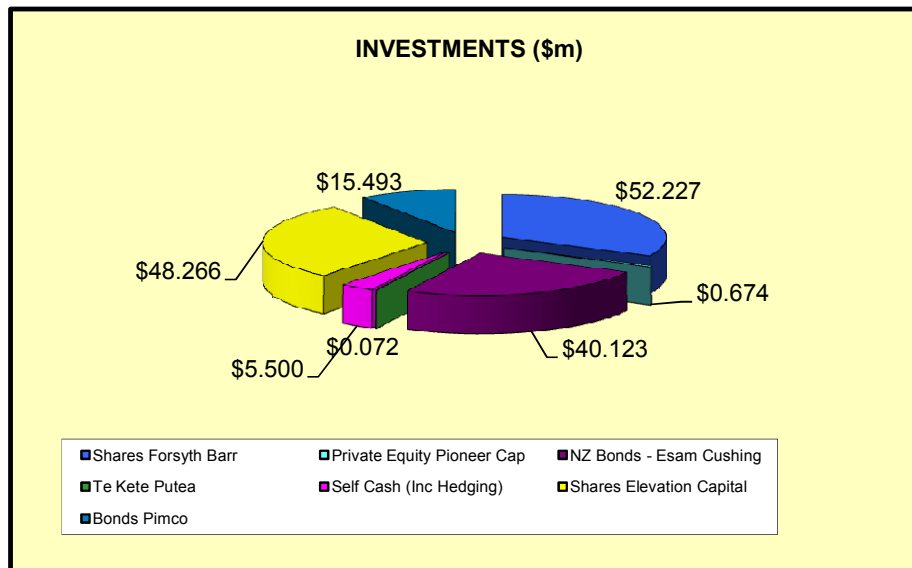
AP	Automatic Payment
dc	Direct Credit
DD	Direct Debit
CHQ	Cheque
TT	Telegraphic Transfer

Committment Schedule

<u>Client Number</u>	<u>Client Name</u>	<u>Request Number</u>	<u>Date Approved</u>	<u>Balance Remaining</u>
Eastern And Central				
895	Ricochet Trampoline Club	22779	23-May-13	9,500.00
7,442	Te Ara Tika Trust	22855	25-Jul-13	4,000.00
4,403	Feilding & District Steam Rail Society Inc	22877	25-Jul-13	25,000.00
2,437	Te Mata Park Trust Board	22780	26-Sep-13	200,000.00
2,180	Bay View Bowling Club Inc	23177	28-Nov-13	15,000.00
1,655	Makirikiri Marae	23206	28-Nov-13	30,000.00
7,038	Te Whare Whai Matauranga o Turanga Literacy House	23338	23-Jan-14	4,000.00
1,826	Pahiatua Railcar Society Inc	23338	23-Jan-14	20,000.00
5,988	Wellington Museums Trust Inc.	23460	27-Mar-14	4,000.00
451	Hastings Boys' High School	23497	22-May-14	11,000.00
6,296	Matapuna Trust	23515	22-May-14	20,000.00
6,554	Pahiatua On Track Inc	23516	22-May-14	15,000.00
331	Feilding Playcentre	23544	22-May-14	3,500.00
1,463	Gisborne Hospital Child Care Society Inc	23545	22-May-14	3,500.00
5,593	Marotiri Kohango Reo	23553	22-May-14	3,500.00
6,099	Taokotaiana Apii Kuki Airani Hastings Inc	23601	22-May-14	3,500.00
4,569	Returned Services Association Inc - Wairoa	23554	24-Jul-14	35,000.00
342	Flaxmere College	23628	24-Jul-14	17,000.00
7,544	Hinemihhi Marae	23677	24-Jul-14	44,000.00
7,339	Parent Teachers Association Feilding High School	23763	24-Jul-14	1,000.00
3,815	Wairarapa Sports Artificial Surface Trust Inc	23340	25-Sep-14	20,000.00
1,377	Eskdale School	23685	25-Sep-14	49,000.00
684	Masterton Community Toy Library	23818	25-Sep-14	2,500.00
4,924	Eketahuna Golf Club Inc	23824	25-Sep-14	6,000.00
297	South City Playcentre	23844	25-Sep-14	3,500.00
7,573	Palmerston Nth Fijian Community Inc	23886	25-Sep-14	2,000.00
1,126	Waimarama Surf Life Saving Club	23777	27-Nov-14	30,000.00
7,576	Cross Creek Railway Society Incorporated	23802	27-Nov-14	15,000.00
1,664	Manawatu District Council	23889	27-Nov-14	200,000.00
6,485	Canteen - Hawkes Bay Branch	23919	27-Nov-14	4,000.00
5,847	Foxton Area Community Medical Trust	23922	27-Nov-14	50,000.00
6,906	Hospice Wairarapa Community Trust Board	23982	27-Nov-14	20,000.00
6,512	Hawke's Bay Regional Sports Park Trust	23986	27-Nov-14	60,000.00
6,512	Hawke's Bay Regional Sports Park Trust	23987	27-Nov-14	20,000.00
2,671	Central Hawke's Bay Junior Football Club	23995	27-Nov-14	4,000.00
7,604	Clifton County Cricket Club	24001	27-Nov-14	30,000.00
4,825	Manawatu Home Budgeting Service Inc	24002	27-Nov-14	4,000.00
7,321	Wings Over Wairarapa Community Trust	24107	27-Nov-14	20,000.00
1,158	Wairarapa Bush Rugby Football Union Inc	23875	29-Jan-15	120,000.00
6,450	Pukaha Mount Bruce Board	23978	29-Jan-15	120,000.00
963	Sherwood School	24090	29-Jan-15	10,000.00
6,056	Manawatu Estuary Trust	24095	29-Jan-15	3,000.00
850	Pirinoa School	24105	29-Jan-15	5,000.00
2,669	Central Hawke's Bay Settlers Museum Inc	24114	29-Jan-15	10,000.00
6,054	Central Viking Softball Assn Inc.	24127	29-Jan-15	4,000.00
4,867	Mahia Boating and Fishing Club Inc	24132	29-Jan-15	10,000.00
4,275	Kia Toa Bowling Club Inc	24152	29-Jan-15	4,000.00
7,637	Young at Heart Parent Support Group	24154	29-Jan-15	2,000.00
5,971	Regional Indoor Sports and Events Centre Trust	24122	26-Mar-15	14,500.00
7,299	Whanau Ataahua Beautiful Families Trust	24145	26-Mar-15	18,000.00

<u>Client Number</u>	<u>Client Name</u>	<u>Request Number</u>	<u>Date Approved</u>	<u>Balance Remaining</u>
4,321	South Wairarapa District Council	24151	26-Mar-15	200,000.00
429	Rape Crisis Gisborne Inc	24159	26-Mar-15	4,000.00
7,650	Wellington Free Ambulance Service Incorporated	24163	26-Mar-15	20,000.00
229	Citizens Advice Bureau - Napier	24164	26-Mar-15	4,000.00
312	FAHS - Feilding High School	24166	26-Mar-15	4,000.00
6,233	Hawke's Bay Lawn Tennis & Squash Club Inc	24168	26-Mar-15	10,000.00
6,007	Hokowhitu Children's Centre Society Inc.	24169	26-Mar-15	3,500.00
538	Hokowhitu Football Club	24170	26-Mar-15	4,000.00
5,265	Manawatu Triathlon Club	24171	26-Mar-15	4,000.00
6,213	Napier Community House Charitable Trust	24172	26-Mar-15	1,180.00
4,170	Ross Intermediate School	24173	26-Mar-15	10,000.00
4,219	Cancer Society of NZ - Hawke's Bay	24174	26-Mar-15	20,000.00
2,985	Hawke's Bay Rescue Helicopter Trust	24177	26-Mar-15	10,000.00
982	Eastland Sports Foundation Education Trust	24179	26-Mar-15	30,000.00
2,210	Waipukurau Bowling Club Inc	24180	26-Mar-15	40,000.00
7,318	Wairarapa Resource Centre Incorporated	24181	26-Mar-15	4,000.00
7,403	New Zealand Red Cross	24182	26-Mar-15	6,000.00
6,426	Connecting Communities Wairarapa Inc	24183	26-Mar-15	3,000.00
4,984	Central Squash Assn Inc	24184	26-Mar-15	8,000.00
7,381	JTD Solutions Limited	24185	26-Mar-15	4,000.00
6,468	Supergrans Manawatu Charitable Trust	24186	26-Mar-15	3,000.00
6,499	NZ Federation of Family Budgeting Services Inc	24187	26-Mar-15	4,000.00
1,468	Gisborne Pain and Terminal Care Trust	24188	26-Mar-15	4,000.00
4,191	Porangahau Country Club Inc	24189	26-Mar-15	20,000.00
235	Clive Rugby and Sports Club Inc	24190	26-Mar-15	3,500.00
3,289	Napier Marist Football Club Inc	24191	26-Mar-15	4,000.00
6,385	Tairāwhiti Community Arts Trust	24192	26-Mar-15	4,000.00
4,298	Waipukurau Bridge Club Inc	24193	26-Mar-15	4,000.00
3,983	Manawatu Rugby Football League	24195	26-Mar-15	4,000.00
7,662	New Zealand Pacific Studio Incorporated	24196	26-Mar-15	7,000.00
436	Greendale Swim Club Inc	24197	26-Mar-15	45,500.00
7,661	Tutira War Memorial Church Board	24199	26-Mar-15	3,000.00
2,902	Gisborne Unity Theatre Inc	24201	26-Mar-15	2,500.00
453	Hastings Central School	24202	26-Mar-15	7,900.00
2,283	Gisborne Budget Advisory Service Incorporated	24203	26-Mar-15	4,000.00
2,314	Anglican Parish of Gisborne	24205	26-Mar-15	6,600.00
6,446	Toko Toru Tapu Manutuke Restoration Trust	24206	26-Mar-15	38,399.00
5,239	Hastings Arts and Culture Trust	24207	26-Mar-15	4,000.00
2,618	Waipukurau Blue Light Ventures Inc	24209	26-Mar-15	4,000.00
4,700	Bowls Wairarapa Inc	24210	26-Mar-15	4,000.00
4,918	Hawke's Bay Orienteering Club	24211	26-Mar-15	4,000.00
560	Hunter Park Kindergarten	24212	26-Mar-15	3,500.00
3,301	Napier Repertory Players Inc.	24213	26-Mar-15	4,000.00
2,321	Presbyterian Support Services - East Coast	24214	26-Mar-15	8,000.00
3,722	Terrace End Playcentre	24215	26-Mar-15	3,500.00
6,462	Legacy Centre	24217	26-Mar-15	4,000.00
5,590	Rose Gardens Croquet Club Inc	24218	26-Mar-15	2,700.00
724	Napier Friendly Neighbour Service Inc	24219	26-Mar-15	4,000.00
448	Hastings Athletic Club	24221	26-Mar-15	10,000.00
7,668	Kings Force Health Charitable Trust	24222	26-Mar-15	4,000.00
4,906	Manawatu Mountain Bike Club Inc	24223	26-Mar-15	1,200.00
3,900	Wairarapa Community Law Centre	24224	26-Mar-15	4,000.00
Total for Eastern And Central				1,948,979.00
Report Totals				1,948,979.00

FINANCIAL STATISTICS AS AT 31st MARCH 2015



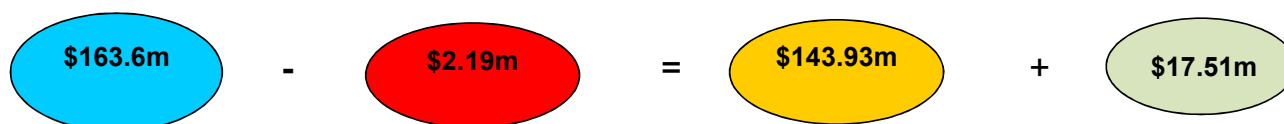
AS AT 31st MARCH 2015

CURRENT ASSETS

LIABILITIES

CAPITAL BASE

RESERVES



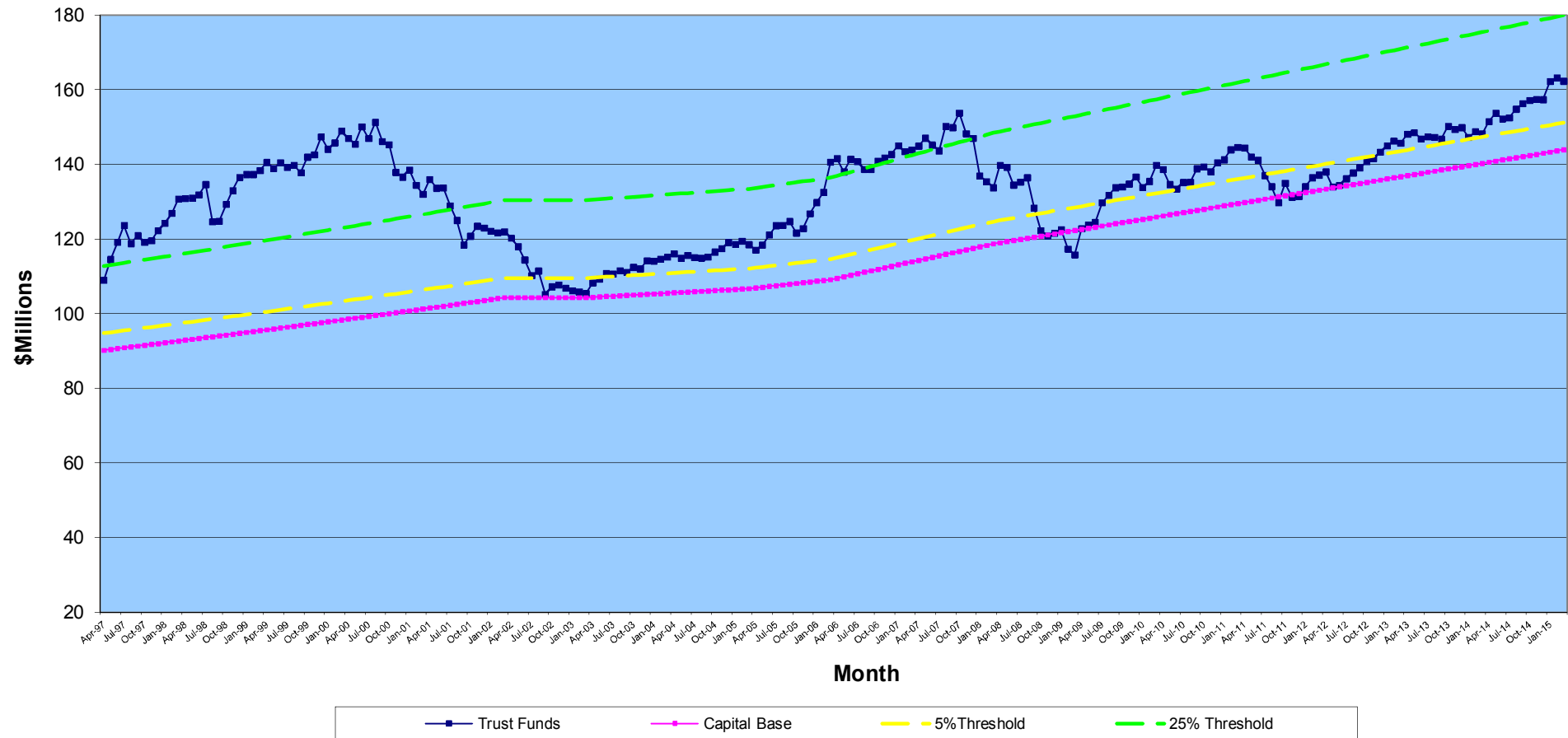
Benchmark (For Capital Base + maximum 25% in reserves)		Allowable Range	Tactical Target Updated 25th January 2013	Actual Value \$m	Percentage of Current Assets	Percentage Variance from target	Variance from tactical target
60%	GROWTH ASSETS	50 - 65%	60%	\$101.2	61.8%	1.8%	\$3.0
30.0%	Shares Forsyth Barr	22.5% - 37.5%	30.0%	\$52.2	31.9%	1.9%	\$3.2
30.0%	Shares Elevation Capital	22.5% - 37.5%	30.0%	\$48.3	29.5%	-0.5%	-\$0.8
0%	Private Equity	0% - 0%	0%	\$0.7	0.4%	0.4%	\$0.7
35%	INCOME ASSETS	25 - 45%	35%	\$55.6	34.0%	-1.0%	-\$1.6
27.5%	NZ Bonds	20 - 35%	27.5%	\$40.1	24.5%	-3.0%	-\$4.9
7.5%	Overseas Bonds	5% - 10%	7.5%	\$15.5	9.5%	2.0%	\$3.2
5%	LIQUID ASSETS	2 - 10%	5%	\$6.8	4.2%	-0.8%	-\$1.4
5%	Self-managed Cash (Incl Hedges & TKP)	2 - 10%	5%	\$6.8	4.2%	-0.8%	-\$1.4
100%	TOTAL		100%	\$163.6	100.0%		\$0.0

Benchmark Allocation –The benchmark allocation reflects the long-term views of the asset structures likely to generate the required investment return to meet the primary objectives. The benchmark allocation assumes a hypothetical “neutral environment”, i.e. one in which the Trustees do not have a tactical view that one asset class should be favoured over another or that special action should be undertaken.

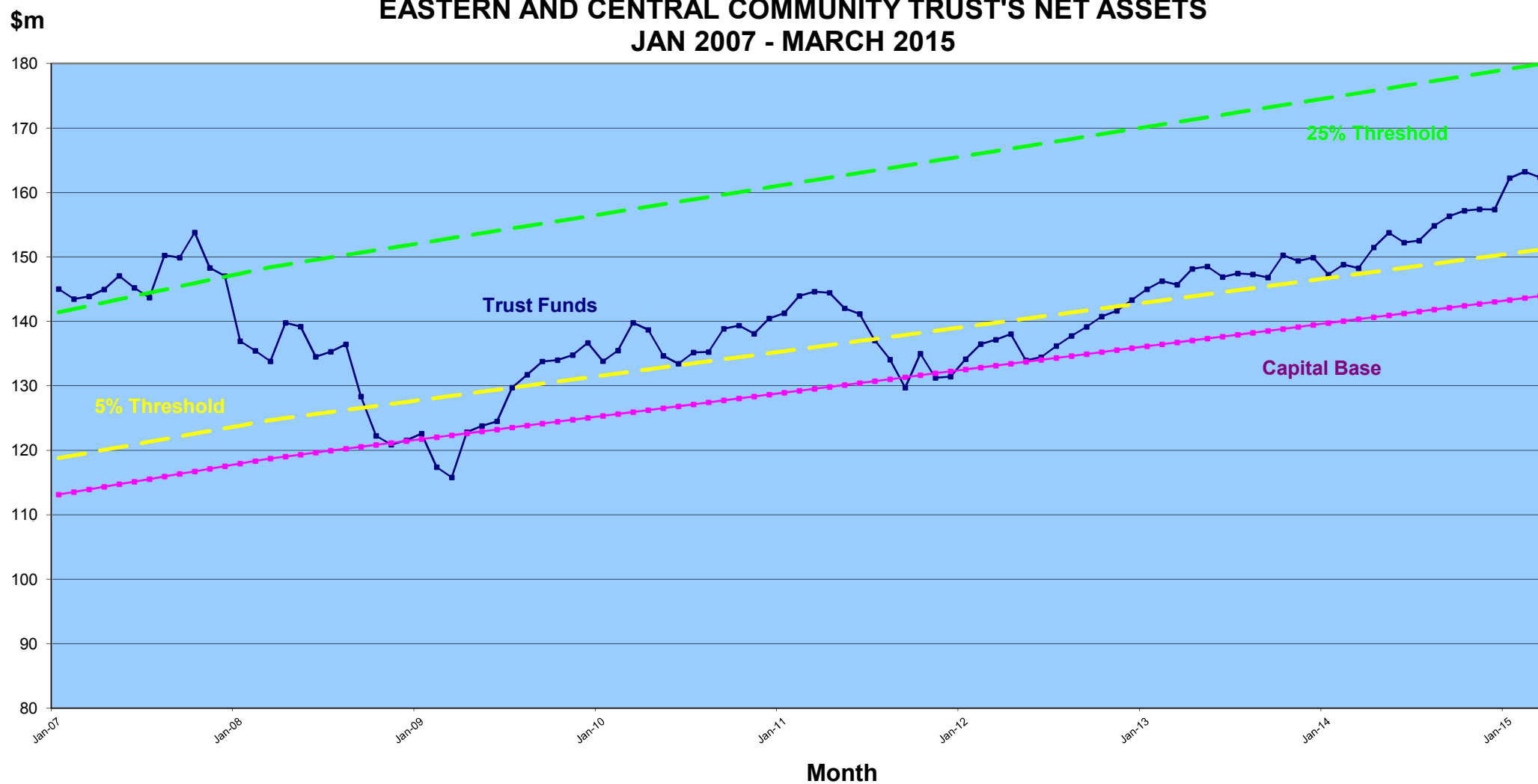
Allowable Range -These reflect the normal minimum and maximum holdings for an asset class. The ranges exist to allow for normal market movement so that the Trustees can minimise transaction costs and for short-term tactical decisions.

Tactical Target -This allows the Trustees to exercise a tactical view to favour one asset class over another, e.g. more into fixed interest, less into shares in times of high interest rates, while remaining within the “allowable range” for that asset class. Trustees will re-examine the “tactical target” where the variation between the “tactical target” and the Actual situation is plus or minus 5%.

EASTERN AND CENTRAL COMMUNITY TRUST'S NET ASSETS APR 1997 - March 2015



EASTERN AND CENTRAL COMMUNITY TRUST'S NET ASSETS JAN 2007 - MARCH 2015



SCHEDULE OF SELF MANAGED INVESTMENTS

AS AT 7th APRIL 2015

TERM DEPOSITS

<u>Value</u>	<u>Bank</u>	<u>Date Invested</u>	<u>Term</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
\$ 1,000,000	BNZ	9-Feb-15	85	4.45%	5/05/2015
\$ 2,500,000	Westpac	5-Mar-15	91	4.37%	4/06/2015
\$ 2,000,000	Westpac	7-Apr-15	91	4.39%	7/07/2015
\$ 5,500,000	TOTAL				

CURRENT ASSETS

As at 31st March

<u>Bank</u>	<u>Cashbook</u>	<u>Statement</u>
Westpac Call Account	\$883,957.00	
Westpac Current	\$387,547.00	\$0.00
Westpac Imprest	\$660.99	
Petty Cash	\$18.30	
	\$1,272,183.29	

INVESTMENTS WITH NZ BANKS

Policy check - Maximum allowable exposure to any one Bank is the higher of either \$6 million or 40% of current assets when current assets are over \$15 million.

ASB	\$ -	0.0%
BNZ	\$ 1,000,000.00	14.8%
ANZ	\$ -	0.0%
Kiwibank	\$ -	0.0%
Westpac	\$ 4,500,000.00	66.4%
HBS	\$ -	0.0%

TOTAL CURRENT ASSETS **\$6,772,183.29** (excludes accrued interest owed)

QUOTES FOR TERM DEPOSITS TRUST

DATE Of Investment 7-Apr-15

If TD maturing, confirm arrangements and enter deposit into FMIS - bank transactions, bank entry (2200 Principle and 6210 Realised Income) Give Jill copy of bank print out & batch, insert copy in deskfile. Often have notice of arrangements at maturity, but not always.

Amount to invest \$2,000,000 Confirmed \$2,000,000

Bank Accepted

Westpac

Rate

4.39%

arranged. Finance/Authority letters/E&CCT Bank TD

Maturity Date

7-Jul-15

Number of days

91

Ask

Account Number

03 0642 0797656 00

Dealer

Jess

ben taylor

	ASB	BNZ	ANZ	Westpac	KIWIBANK	HBS Bank
Contact	Joshua Hambly	Ext 46339		Andrew mark (2)	Mark Barton or Jon Schicker	Kelly
Telephone	0800 272 332 arthur		Karl 830 0983	0800 334 020 client 650681	0800 11 33 15	DD 870 9066
Rate Offered	Nil Jake	4.28% James	4.28% Karl	4.39% Virginia	4.35% Roger & Mark	4.20% Kelly
Account to withdraw	Trust Current	Trust Current	Trust Current	Trust Current	Trust Current	Trust Current
Account Number	03 0642 0797656 00	03 0642 0797656 00	03 0642 0797656 00	03 0642 0797656 00	03 0642 0797656 00	03 0642 0797656 00

john-treasury

roger

Peter Oake

834 3738

Rachel Wilson

878 0846 or 0274299006

Virginia 878 0845

Jenny Lambie

870 9066

Comments for consideration and reason for decision.

Call account balance is \$0.88 mill as at 31st March 2015

Hedging rollover in May 2015, other TD maturing to cover if needed, Closed USD for \$372k

Next TD is BNZ \$1.0 mill on 5th May 2015.

Pioneer Capital commitment nothing likely in next 4 weeks

Presently, FBECL has \$4.22 million cash available if an emergency.

We have \$5.5 million on Term Deposit.

Donation Creditors stand at \$1.948 mill at 31st March 2015.

Payments approved last meeting \$695k

financialmarkets@kiwibank.co.nz

Term Deposit, choose cheque, select withdrawal tab, enter GL 2200, add, save, post, go to GL batch list, print, post.

2200 Cash Self Term Deposit \$2,000,000.00

Signed

Date

Expected interest on maturity \$21,889.86

Entered to Schedule Self Managed Investments and maturity date on personal calendar.

Signed

Date

ENTER MATURITY DATE ON PERSONAL CALENDAR

Once completed place this page in deskfile. Once confirmation received from bank take a copy and attach. Give original to Jill.

Jonathan Bell

From: Christopher Swasbrook [chris.swasbrook@elevationcapital.co.nz]
Sent: Monday, 2 March 2015 3:40 p.m.
To: Jonathan Bell
Cc: Michael Chamberlain
Subject: Re: Portfolio Cash Interest rates

Hi Jonathan,

(i) Cash will be earning wholesale cash rates in the relevant currencies - in the case of NZD cash that is 3.5%.

(ii) Markets are at all time highs - it seems prudent to continue to trim positions back to target weightings (in line with the mandate) and wait for the right opportunities (driven by fundamental research) and not just invest in stocks because a rising tide is lifting all ships. We feel it is prudent to wait for market pullbacks to deploy the cash, or as we have done in the case of Adidas and Tod's last year, wait for company specific opportunities to present themselves. We believe patience will be rewarded in this regard.

I hope this provides some colour for you and the trustees.

Cheers,
Chris

On 2/03/2015, at 3:10 pm, Jonathan Bell <Jonathan@ecct.org.nz> wrote:

Hi Chris

Two questions which came up in last week's Executive meeting were:

1. The amount of cash seems slightly high, is there a reason for that?
2. What sort of interest are we earning on that cash?

If you could come back to me with a response that would be much appreciated.

Cheers

Jonathan

Jonathan Bell
General Manager
Eastern & Central Community Trust

Phone 06 878 7200
Fax 06 878 9550
Mobile 027 222 2152

1st Floor, Westermans Building, 102-104 Russell Street South, HASTINGS



Christopher Swasbrook
Phone +64 9 307 6741
Mob +64 21 928262
Twitter: [ElevationNZ](#)
Email: chris.swasbrook@elevationcapital.co.nz
Website: www.elevationcapital.co.nz

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Victoria Street West
Auckland 1142
New Zealand

Disclaimer:

Elevation Capital Management Limited is registered as a financial service provider in New Zealand under the Financial Service Providers (Registration & Disputes Resolution) Act 2008 (FSP# 9601). Elevation Capital Management Limited is not a financial advisor and any information we have provided, wh

PORTFOLIO RECONCILIATION
Eastern & Central Community Trust
31 March 2015

Elevation Capital

Cash Reconciliation

	Schedule		NZD
28-Feb-2015		Opening Balance	3,219,544.05
	2	Capital Invested & Withdrawn	0.00
	3	Interest (RWT exempt)	5,335.07
		Interest (RWT exempt) - paid to ECCT	(4,353.02)
	4	Dividends & Distributions	129,018.00
		Dividends & Distributions - paid to ECCT	(101,863.81)
	5	Fees, Expenses & Fee Rebates	(2,331.29)
		Cash Movement	
	10	Shares	3,355.53
	6	Cash currency m/e revaluation	(6,661.11)
	7	Term Deposit Maturity	0.00
		FX Transactions Gain/loss	(3,631.96)
31-Mar-2015		Closing cash	3,238,411.47
		Closing Bank balance	3,238,411.43
		Variance	0.04

Asset Valuation

	Schedule		NZD
28-Feb-2015		Opening Valuation	49,067,403.92
	2	Capital Invested & Withdrawn	0.00
	7	Term deposits (incl accrued Interest)	0.00
	8	Cash	3,238,411.43
	9	Shares Valuation*	45,028,059.22
31-Mar-2015		Closing Valuation	48,266,470.65
		Monthly Change	(800,933.27)

PORTFOLIO RECONCILIATION
Eastern & Central Community Trust
31 March 2015

Forsyth Barr

Cash Reconciliation

	Schedule		NZD
28-Feb-2015		Opening Valuation	2,538,162.53
	2	Capital Invested & Withdrawn	0.00
	3	Interest (RWT exempt)	8,291.00
		Interest (RWT exempt) - paid to ECCT	(786.07)
	4	Dividends & Distributions	177,190.54
		Dividends & Distributions - paid to ECCT	(133,795.14)
	5	Fees, Expenses & Fee Rebates	(5,326.87)
		Cash Movement	
	10	Shares	1,068,884.00
	7	Cash Deposits	0.00
	6	Cash currency m/e revaluation	(2,548.77)
31-Mar-2015	11	Closing cash	3,650,071.21
		Closing Bank balance	3,650,071.23
		Variance	(0.02)

Asset Valuation

	Schedule		NZD
28-Feb-2015		Opening Valuation	52,483,877.56
	2	Capital Invested & Withdrawn	0.00
	7	Term deposits (incl accrued Interest)	0.00
		Cash	3,650,071.23
	4	Dividends & Distributions	
	6	Shares Valuation*	48,576,929.48
31-Mar-2015		Closing Valuation	52,227,000.71
		Monthly Change	(256,876.85)

* Share Valuation is unaudited last trading prices at month end

Investment Characteristics

Investment Statistics	
Effective Duration	5.9
Benchmark Duration	6.8
Average Maturity	8.8
Average Coupon	3.8
Average Quality	A-
Total Carry	6.4

Quality Breakdown		
MV%		MV%
Portfolio		Benchmark
6	AAA	12
8	AA	14
32	A	40
48	BBB	33
5	Sub Inv Grade	0
100	Total	100

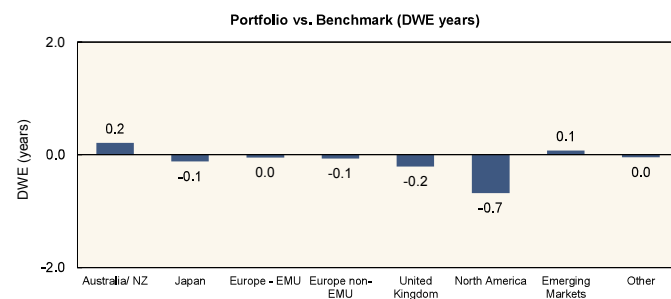
Curve Exposure				
Duration Weighted Exposure %			Duration Weighted Exposure	
Portfolio	Benchmark		Portfolio	Benchmark
1	0	0-1 years	0.1	0.0
-5	8	1-3 years	-0.3	0.5
8	13	3-5 years	0.5	0.9
29	15	5-7 years	1.7	1.0
17	8	7-8 years	1.0	0.5
10	9	8-10 years	0.6	0.6
40	47	10+ years	2.3	3.2
100	100	Total	5.9	6.8

Regional Breakdown (by currency of settlement)					
Duration Weighted Exposure %			Duration Weighted Exposure		FX Exposure
Portfolio	Benchmark		Portfolio	Benchmark	Portfolio
4.3	0.6	Australia/ NZ	0.3	0.0	98.0
9.7	10.2	Japan	0.6	0.7	-1.2
23.0	20.8	Europe - EMU	1.4	1.4	-1.9
0.0	1.0	Europe non-EMU	0.0	0.1	0.0
7.9	9.9	United Kingdom	0.5	0.7	0.1
53.2	56.3	North America	3.1	3.8	4.6
1.9	0.6	Emerging Markets	0.1	0.0	0.5
0.0	0.7	Other	0.0	0.0	0.0
100	100	Total	5.9	6.8	100.0

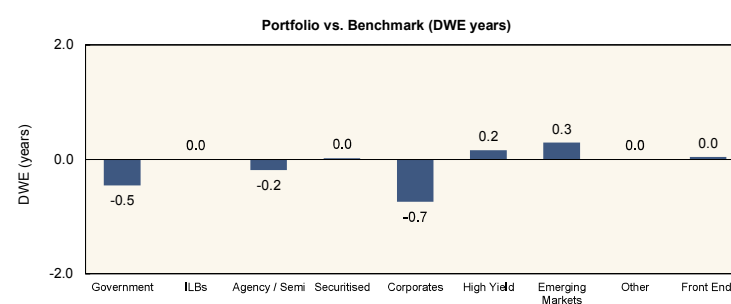
Sector Breakdown				
Duration Weighted Exposure %			Duration Weighted Exposure	
Portfolio	Benchmark		Portfolio	Benchmark
25	28	Government	1.5	1.9
0	0	ILBs	0.0	0.0
61	65	Corporates	3.6	4.4
3	0	High Yield	0.2	0.0
0	3	Agency / Semi	0.0	0.2
0	0	Securitized	0.0	0.0
0	0	Other	0.0	0.0
10	4	Emerging Markets	0.6	0.3
1	0	Front End*	0.0	0.0
100	100	Total	5.9	6.8

* Front End includes all securities that are investment grade and have a duration <= 1 year

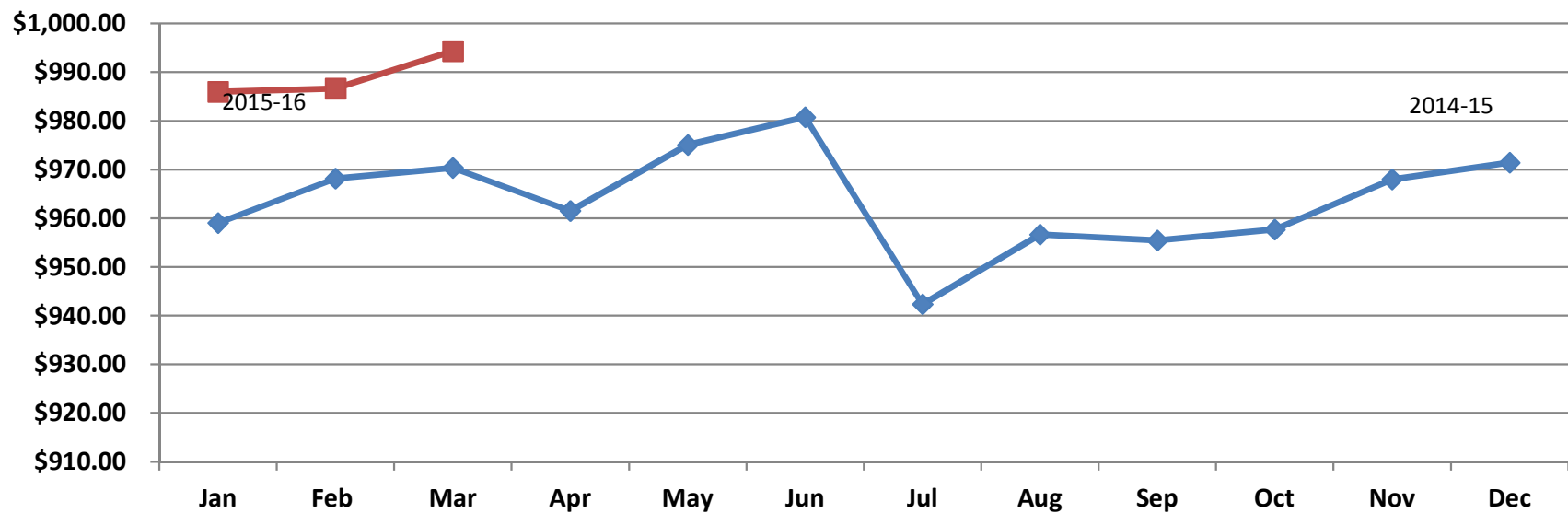
Regional Breakdown Variance



Sector Exposure Variance



Change in Monthly Value of Units



Caren J Rangi & Mark T Kilmister
ATF Eastern&Central Community Trust
211 Mutiny Road
R D 2 HASTINGS
NEW ZEALAND 9999

STATEMENT OF ACCOUNT

STATEMENT PERIOD: 01/03/2015-31/03/2015

ACCOUNT NUMBER: ECCOMMTR1

Page 1 / 2

ACCOUNT NAME: Caren J Rangi & Mark T Kilmister ATF Eastern&Central Community Trust

FUND SUMMARY

FUND DESCRIPTION	\$ PRICE PER UNIT	UNITS OWNED	MARKET VALUE
	31/03/2015 NAV	31/03/2015	31/03/2015
PIMCO NZD Hedged Global Strategy Fund	994.3124	15,582.123	15,493,498.12
TOTAL MARKET VALUE			15,493,498.12

Caren J Rangi & Mark T Kilmister
ATF Eastern&Central Community Trust
211 Mutiny Road
R D 2 HASTINGS
NEW ZEALAND 9999

ACCOUNT NUMBER: ECCOMMTR1

Page 2 / 2

TRANSACTION SUMMARY

TRADE DATE	TRANSACTION DESCRIPTION	PRICE	UNITS	AMOUNT
PIMCO NZD Hedged Global Strategy Fund				
01-03-15	BALANCE FORWARD	986.6210 *	15,582.123	15,373,649.78
TOTAL UNITS OWNED			15,582.123	

* Represents the last available price.

**Eastern & Central Community
Trust Inc**

**Monthly Report for
March 2015**

Transaction Summary

Eastern & Central Community Trust Inc

The bond purchases over the period were as follows:

Issuer	Maturity Date	Face Value	Cost ^{1,3}	Yield
--------	---------------	------------	---------------------	-------

Nil

The bond sales over the period were as follows:

Issuer	Maturity Date	Face Value	Proceeds ²	Yield
--------	---------------	------------	-----------------------	-------

Nil

The bond maturities over the period were as follows:

Issuer	Maturity Date	Face Value	Coupon
--------	---------------	------------	--------

Nil

The cash purchases over the period were as follows:

Issuer	Maturity Date	Face Value	Cost ^{1,3}	Yield
--------	---------------	------------	---------------------	-------

Nil

¹ Cost includes brokerage, if any

² Proceeds are less brokerage, if any

³ Cost will be different to that shown on the portfolio valuation – the difference being accrued interest.

Compliance Report

Eastern & Central Community Trust Inc

We confirm that we hold title, in the name of Forsyth Barr Custodians Limited, for all the bond securities listed in this report.

We confirm that all cash at call is held in trust for the Eastern & Central Community Trust Incorporated.

Commentary

During **March**, the following occurred:

- The OCR was left at 3.50% but the RBNZ has moved from a tightening bias to a neutral position..

During **April** the following will occur:

- Fonterra will issue up to \$250 m of senior bonds for a period of 6.5 years. The indicative yield is approximately 4.3% pa.
- Sky City Entertainment and The Warehouse have announced that they intend to roll over their senior bonds which mature in May '15 and June '15 respectively. It is unclear at this time whether there will be an opportunity for new investors during this process.

Key Portfolio Information

Eastern & Central Community Trust Inc

Bond Credit Analysis:

Long-Term Credit Rating	Portfolio Holding	
	\$ Face Value	%
AAA	\$0	0.0%
AA+	\$0	0.0%
AA	\$0	0.0%
AA-	\$0	0.0%
A+	\$0	0.0%
A	\$0	0.0%
A-	\$4,400,000	12.9%
BBB+	\$10,500,000	30.8%
BBB	\$3,375,000	9.9%
BBB-	\$1,000,000	2.9%
BB+	\$6,104,000	17.9%
BB	\$0	0.0%
BB-	\$0	0.0%
Not Rated	\$8,743,900	25.6%
	\$34,122,900	100%
Average Weighted Credit:		BBB-

Distributions

Receivable

Eastern & Central Community Trust Inc

1870575 GPW

Tuesday 31 March 2015

Reporting Currency: New Zealand Dollar

Trade Date	Payment Date	Security	Net Amount
25/03/15	08/04/15	Rabobank Nederland Perpetual 4.5875%	11,468.75
31/03/15	15/04/15	Genesis Energy Limited 15/07/2041 6.19%	14,825.05
31/03/15	16/04/15	Sky Television Network Limited 16/10/2016 4.43%	22,150.00
Total			48,443.80

These dividends indicate what we expect to receive but final allocations are confirmed upon receipt. This report is interim only and some of the figures included may be subject to change due to some data being unprocessed at the time this report is created. The information shown in this report is obtained from various sources believed to be reliable. While every effort has been made to ensure accuracy, no liability is accepted for any errors or omissions. The foreign exchange (FX) rates reported are the closing rates as at the close of business. Actual transaction FX rates may differ.

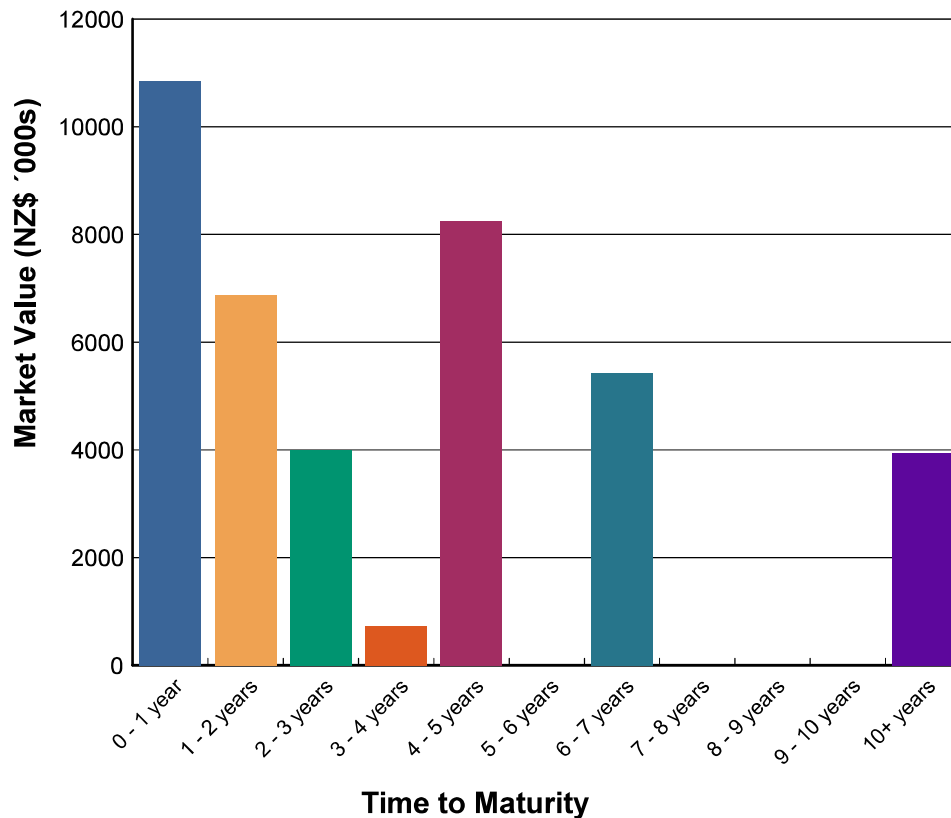


Maturity Profile

Eastern & Central Community Trust Inc

1870575 GPW

31 March 2015



Maturity	Market Value NZ\$	Profile %
0 - 1 year	10,848,432.63	27.07
1 - 2 years	6,884,163.01	17.18
2 - 3 years	4,001,345.33	9.98
3 - 4 years	728,073.19	1.82
4 - 5 years	8,244,947.93	20.57
5 - 6 years	0.00	0.00
6 - 7 years	5,426,744.05	13.54
7 - 8 years	0.00	0.00
8 - 9 years	0.00	0.00
9 - 10 years	0.00	0.00
10+ years	3,941,755.00	9.84
Total	40,075,461.14	100.00

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Performance Report: portfolio valuation

Internal rate of return (IRR) for the change in total portfolio value, adjusted for contributions/withdrawals, interest/dividends etc.

Eastern & Central Community Trust Inc

1870575 GPW

From 1 March 2015 To 31 March 2015

Reporting Currency New Zealand Dollars

Opening Market Value	39,860,413.28
Net Contributions/Withdrawals	0.00
Realised Gain	0.00
Realised Price Gain	0.00
Realised FX Gain	0.00
Unrealised Gain	23,045.34
Unrealised Price Gain	23,045.34
Unrealised FX Gain	0.00
Interest	313,993.50
Dividends	0.00
Change in Accrued Interest	-121,990.98
Change in Dividends Receivable	48,443.80
Portfolio Fees	0.00
Closing Market Value	40,123,904.94
Price IRR for 0.08 Years	0.66%
FX IRR for 0.08 Years	0.00%
IRR for 0.08 Years	0.66%

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Portfolio Appraisal

Securities listed by market on which they trade

Eastern & Central Community Trust Inc
1870575 GPW

Tuesday 31 March 2015

New Zealand Dollar		Local Currency				
Quantity	Security	Unit Cost	Total Cost	Current Price	Market Value	% Asset (1)
Cash						
At Call						
	Forsyth Barr Cash Management		4,539,439.34		4,539,439.34	11.3%
	Distributions Receivable (2)				48,443.80	0.1%
Maturing within 90 Days						
2,000,000	GMT Bond Issuer Limited 19/06/2015 7.75%	1.01	2,016,412.80	1.007	2,014,579.64	5.1%
750,000	Powerco Limited 29/06/2015 6.53%	0.95	714,584.56	1.004	753,336.95	1.9%
	Accrued Interest				43,700.24	0.1 %
			7,270,436.70		7,399,499.97	18.3%
Fixed Interest						
Direct						
500,000	Infratil Limited 15/11/2015 8.50%	1.00	500,000.00	1.017	508,381.68	1.3%
500,000	TrustPower Limited 15/12/2015 8.40%	1.00	500,000.00	1.021	510,319.85	1.3%
2,400,000	Spark Finance Limited 22/03/2016 7.04%	1.00	2,400,000.00	1.028	2,467,463.86	6.2%
1,500,000	Fletcher Building Industries Limited 15/05/2016 7.75%	1.00	1,500,000.00	1.024	1,536,166.57	3.9%
1,000,000	Genesis Energy Limited 15/09/2016 7.185%	1.01	1,005,116.20	1.043	1,043,077.64	2.6%
1,000,000	Sky Television Network Limited 16/10/2016 4.43%	1.00	995,995.00	1.007	1,006,500.00	2.5%
2,000,000	Auckland International Airport Limited 15/11/2016 8.00%	1.00	2,000,000.00	1.063	2,125,112.67	5.4%
1,000,000	Meridian Energy Limited 16/03/2017 7.55%	1.00	1,000,000.00	1.063	1,063,320.24	2.7%
1,926,000	Vector Limited 15/06/2017 7.00%	1.01	1,943,434.57	1.041	2,005,412.74	5.1%
1,250,000	Powerco Limited 28/09/2017 6.74%	0.93	1,158,448.47	1.049	1,311,131.16	3.3%

Portfolio Appraisal

Securities listed by market on which they trade

Eastern & Central Community Trust Inc
1870575 GPW

Tuesday 31 March 2015

New Zealand Dollar		Local Currency				
Quantity	Security	Unit Cost	Total Cost	Current Price	Market Value	% Asset (1)
600,000	Kiwibank Limited 15/12/2017 5.80%	1.00	600,000.00	1.058	634,719.77	1.6%
195,000	Infratil Limited 15/11/2018 6.85%	1.00	195,000.00	1.041	202,943.73	0.5%
500,000	Fletcher Building Industries Limited 15/03/2019 6.45%	1.00	500,000.00	1.044	522,076.36	1.3%
1,375,000	Contact Energy Limited 15/05/2019 5.80%	1.00	1,375,000.00	1.049	1,441,946.18	3.6%
2,000,000	ASB Bank Limited Subordinated Notes 15/06/2024 6.65%	1.00	2,000,000.00	1.060	2,119,781.13	5.3%
1,870,000	Mighty River Power Limited Capital Bonds 11/07/2044 6.90%	1.00	1,870,000.00	1.053	1,969,222.80	5.0%
250,000	Kiwi Capital Funding Limited 15/07/2024 6.61%	1.00	250,000.00	1.052	262,891.29	0.7%
2,250,000	TrustPower Limited 15/09/2019 6.75%	1.00	2,250,000.00	1.065	2,397,125.31	6.0%
250,000	Sky Network Television Limited 31/03/2021 6.25%	1.00	250,000.00	1.070	267,587.42	0.7%
2,000,000	Wellington International Airport Limited 15/05/2021 6.25%	1.00	2,000,000.00	1.073	2,146,694.95	5.5%
750,000	Kiwi Property Group Limited 20/08/2021 6.15%	1.00	750,000.00	1.061	795,387.31	2.0%
2,000,000	Christchurch International Airport Limited 04/10/2021 6.25%	1.01	2,014,084.40	1.052	2,104,017.40	5.4%
958,000	Genesis Energy Limited 15/07/2041 6.19%	1.07	1,022,535.58	1.023	979,555.00	2.4%
	Accrued Interest				341,369.91	0.9 %
Perpetuals						
500,000	ANZ Bank New Zealand Limited Perpetual 5.28%	1.00	500,000.00	1.020	509,950.00	1.3%
500,000	Credit Agricole Perpetual Deeply Subordinated Notes 5.04%	1.00	500,000.00	0.745	372,500.00	0.9%

Portfolio Appraisal

Securities listed by market on which they trade

Eastern & Central Community Trust Inc
1870575 GPW

Tuesday 31 March 2015

New Zealand Dollar		Local Currency				
Quantity	Security	Unit Cost	Total Cost	Current Price	Market Value	% Asset (1)
12,750	Nufarm Finance NZ Limited Preference Shares 6.6357%	115.74	1,475,694.44	89.000	1,134,750.00	2.8%
1,000,000	Rabobank Nederland Perpetual 4.5875%	1.00	1,000,000.00	0.945	945,000.00	2.4%
			31,555,308.66		32,724,404.97	81.6%
Total			38,825,745.36		40,123,904.94	100.0%

Exchange rate to New Zealand Dollar (FX = 1.0000)

New Zealand Dollar Market Value of New Zealand Dollar assets:

\$40,123,904.94

Portfolio Appraisal

Securities listed by market on which they trade

Eastern & Central Community Trust Inc
1870575 GPW

Tuesday 31 March 2015

New Zealand Dollar

Quantity	Security	Local Currency			
		Unit Cost	Total Cost	Current Price	Market Value
					% Asset (1)

(1) Expressed as a percentage of the total value of the portfolio, as stated in the Portfolio Summary.

(2) Best estimate of net Distributions Receivable information available at the time, and is subject to change.

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Interim Only

Portfolio Summary

Eastern & Central Community Trust Inc

1870575 GPW

Tuesday 31 March 2015

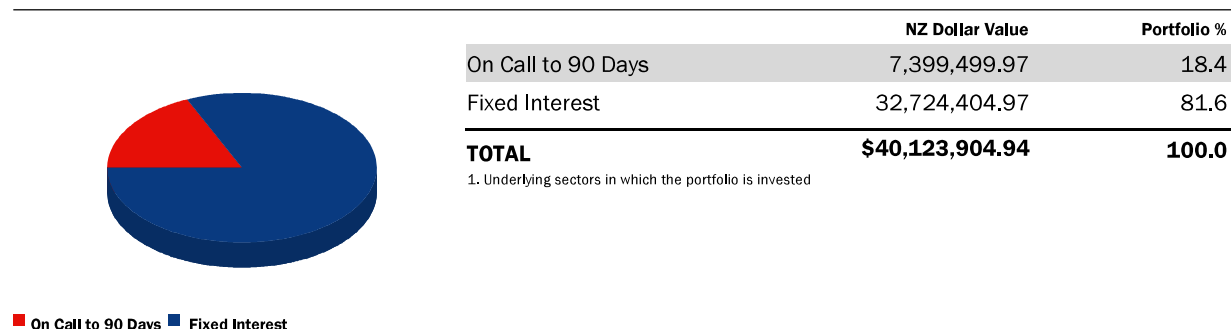
Premium Advisory Service

Your Forsyth Barr Advisor will provide you with advice in relation to this portfolio, while you, the investor, will determine the investments held and any changes to those investments by instructing us on each and every transaction. You will then receive the relevant contract note or acknowledgement, to confirm the details of the transaction.

Our understanding of the basis of provision of advice to you is as follows:

You request our advice on each of the securities in your portfolio and to receive recommendations for other securities or opportunities that you may wish to consider.

Asset Allocation ¹



Portfolio Valuation ²



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Report type:	Financial Information Papers
Recommendation:	The Executive notes the financial advisor's monthly report of the Trust Investment Portfolio as at 31 st March 2015.
Agenda item no:	8
Subject:	Investment Portfolio Report
Responsible for the report:	General Manager

Purpose of report:	To inform the Executive of where the funds of the Board are invested, the overall performance of the diversified investment portfolio and the current asset allocation and compare performance against budget and agreed benchmarks.
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Investment monitoring

report & analysis to 31 March 2015

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31 March 2015

Overall Trust return (%)

	Month	Year
Income return	0.63%	4.56%
Market movement	(0.65%)	9.13%
Total return	(0.02%)	14.10%

Summarised accounts (\$)

Assets at start	165,159,426	150,049,641
Net cash flow	(691,606)	(6,326,872)
Income received/ (paid)	1,031,802	6,922,249
Growth gains/ (losses)	(1,065,255)	13,789,349
Total investment gains/ (losses)	(33,453)	20,711,598
Assets at end	164,434,367	164,434,367
Income sector assets at end		62,440,400 (38.0%)
Growth sector assets at end		101,993,967 (62.0%)

Objectives

Liquidity



Income



Growth



Strategy



Trust performance



Manager performance

Cash



NZ bonds



Overseas bonds



Total listed shares



Elevation Capital



Forsyth Barr



Summary

31 March 2015

Month

In respect of the investment results to 31 March 2015, we note:

- The asset value is \$164,434,367, down \$0.73m over the month [Last month: \$165,159,426].
- The portfolio generated investment income of \$1,031,802 [vs monthly budget: \$568,310].
- The overall investment return for the month was negative 0.02%, i.e. -\$33,453

Strategy

- The investment allocation to each sector is within $\pm 7.2\%$ of the benchmark asset allocation.
- Listed shares is 5.4% below the benchmark, and Cash is 7.2% above the benchmark.
- The latest hedging contract position of overseas shares was: 50% hedged to Euro and GBP; 0% hedged to USD and AUD.

The income earned over the year was \$6.9m relative to the budget of \$6.8m.

Market movements

- Positive: Cash, NZ bonds, Overseas bonds.
- Negative: Listed shares.

All markets had a positive month, with the exception of listed shares.

Investment managers' performance (relative to market indices)

- Positive: Cash, NZ bonds, Listed shares, Overseas bonds.
- Negative: Nil.

All managers with the exception of Elevation Capital had a good month.

Year (since 1 April 2014)

- The investment portfolio has generated \$6,922,249 of income and experienced \$13,789,349 of market movements since 1 April 2014. The total return has been \$20,711,598 or 14.10% since 1 April 2014. The income level is above budget and has achieved its target.

Current issues

Environment

The environment continues to be a low interest rate, low overall inflation and low economic growth environment. We expect this to continue for the foreseeable future (next 5 to 10 years) driven by the demographics (ageing of the baby boomers), the debt levels of major western governments and the fiscal deficits of the US, Japan, UK and Europe, made worse through derivatives.

31 March 2015

Monthly theme

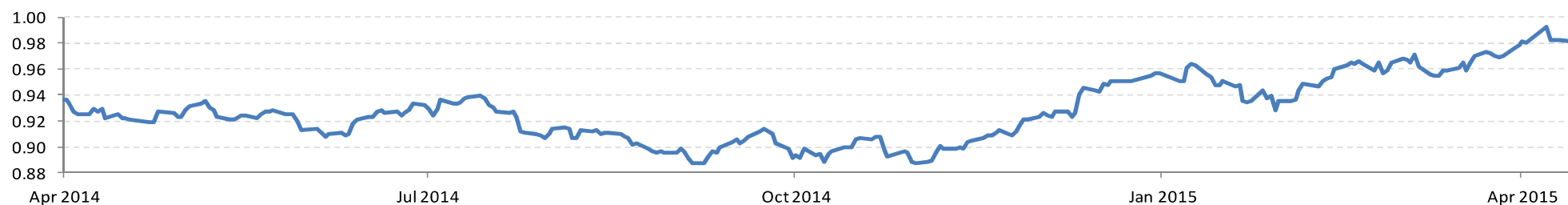
The Australian dollar and Euro, relative to the NZ dollar

Of interest to the Trust is what happens to the NZ dollar relative to the countries/regions where it makes investments, namely Australia, the United States, UK, the Eurozone and Japan. The NZ/Euro exchange rate has experienced significant appreciation since early 2009, starting at less than 0.4000 and reaching an all time high of 0.7132 on 21 April 2015.

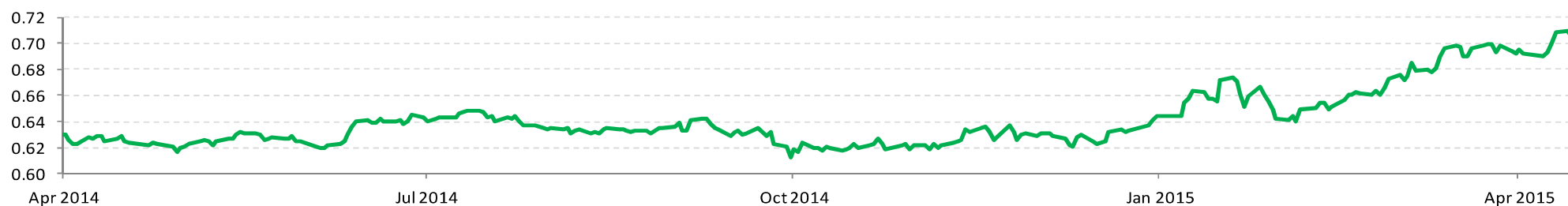
The NZ/AU exchange rate has also been of interest in 2015, given its near-parity in early April (a high of 0.9936 on 22 April 2015).

The graphs below show the NZ/AU and NZ/Euro exchange rates since 1 April 2014. When the exchange rates appreciate over time in each case, NZ exports become relatively more expensive on the global market. At the same time, overseas imports become relatively cheaper to New Zealand consumers. Equally, overseas owned assets become less valuable in New Zealand dollar terms. More importantly to the Trust, if the overseas shares are currency "hedged", the loss in market value attributed to the appreciating exchange rate would have been compensated in part by a profitable hedging contract balance. It is this inverse relationship which reinforces why currency management is important.

The NZ:AU exchange rates since 1 April 2014



The NZ:Euro exchange rates since 1 April 2014



31 March 2015

Objectives

The investment policy objectives of the Trust are to:

Return

- achieve a growing level of income to fund the budgeted grants and operating costs each year.
- grow the capital base over the long term, to protect the capital and grants against the impact of inflation.

Risk

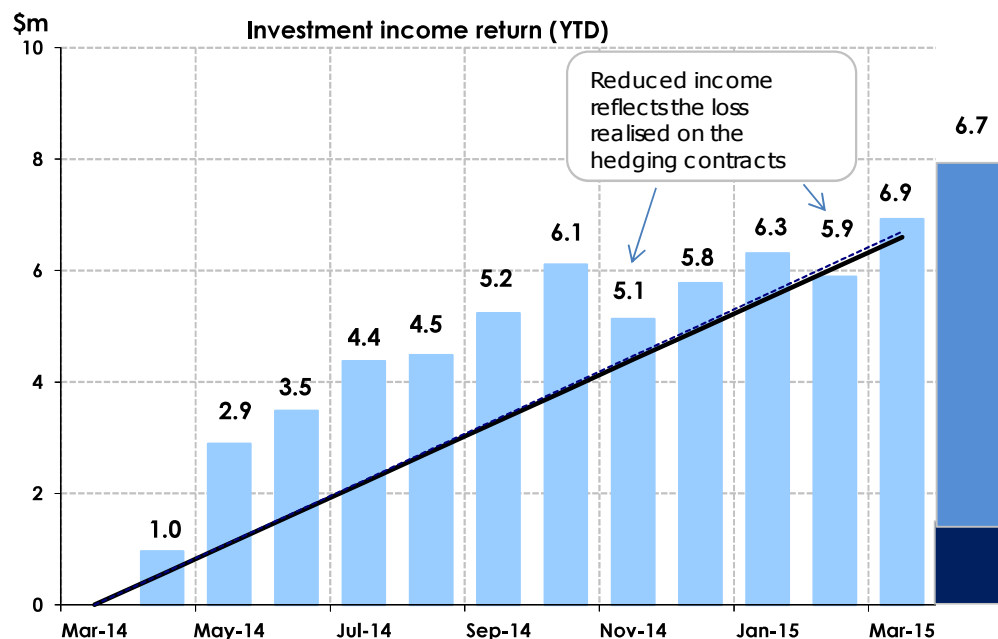
- to generate sufficient actual income each year to let the Trust donate 4% of the adjusted capital base at the start of the year and to meet the Trust's costs. \$6.8m is budgeted for 2014/ 15.

31 March 2015

Objective - funding \$5.5m in grants + \$1.2m operation costs (\$6.7m in total)

The objective is to generate investment income which, when supplemented by the cash assets, will let the Trust make grants at the budgeted level and to meet the operational costs. Any budgeted expenditure not met from the investment income is funded from cash. The 2014/ 2015 target grants and operation costs are \$6.7m. The budgeted investment income is \$6.8m.

The results, relative to the objective and the budget for the year-to-date, are:



The Trust has exceeded its desired income objective.

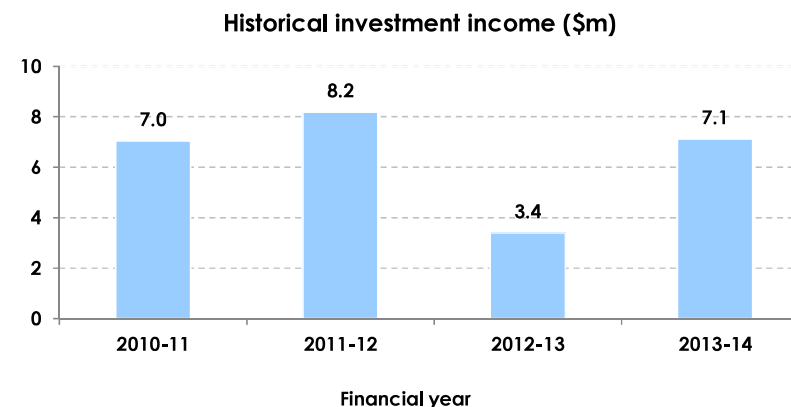
Total target is \$6.7m

\$6.8m target income

Target grants are \$5.5m

Estimated operation costs are \$1.2m

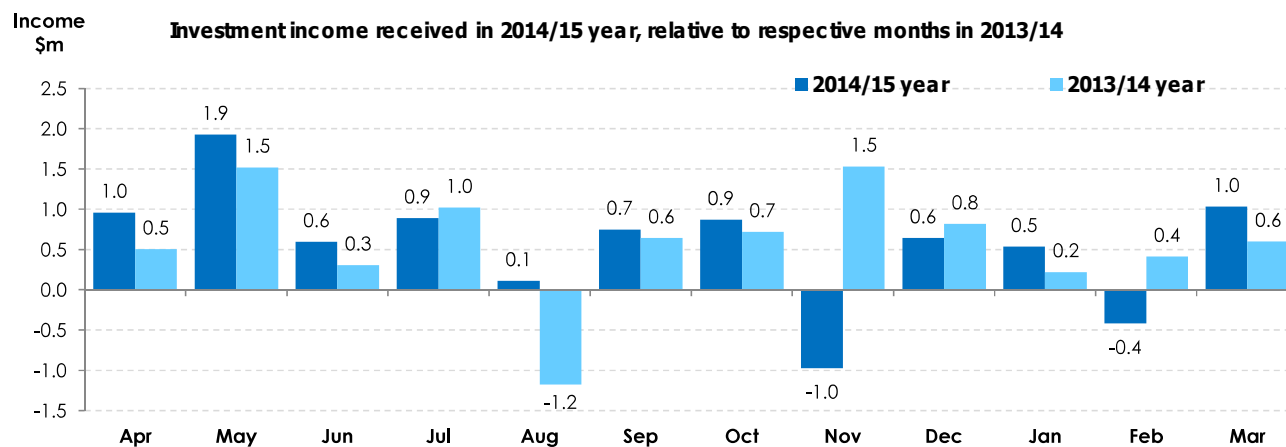
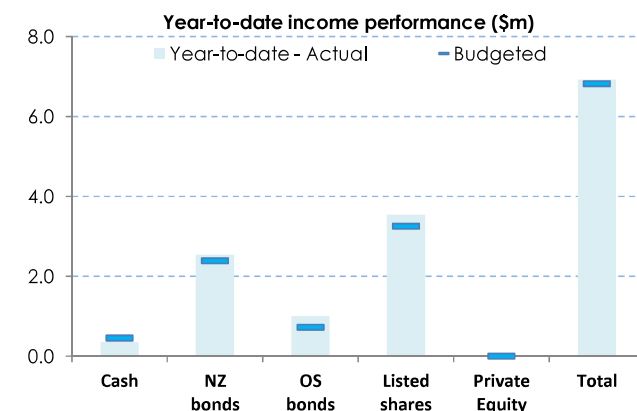
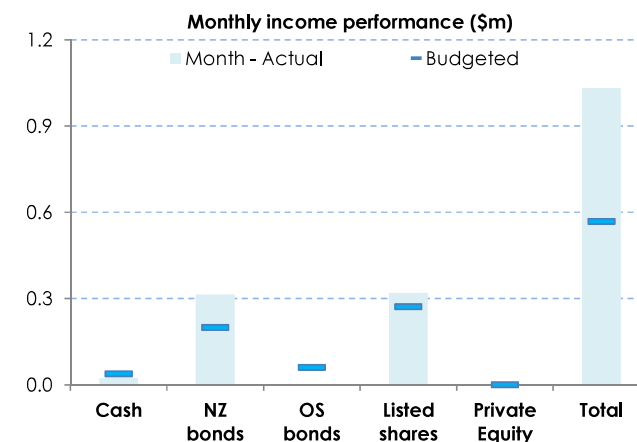
The income comes from interest, coupons, dividends and currency hedging settlements. Details of the source of the income by sector are on page 6.



31 March 2015

Objective - funding \$5.5m in grants + \$1.2m operation costs

	Cash	NZ bonds	OS bonds	Listed shares	Private equity	Currency	Total
Assets: 1 April 2014	10.81	39.80	12.08	85.40	0.61	1.35	150.05
Assets for income budget	10.81	39.80	12.08	85.40	0.61	0.00	150.05
Expected income return (%)	4.2%	6.0%	6.0%	3.8%	0.0%	0.0%	4.5%
Expected income return (\$m)	0.45	2.39	0.72	3.25	0.00	0.00	6.82
Monthly							
Actual	0.02	0.31	0.00	0.32	0.00	0.37	1.03
Budget	0.04	0.20	0.06	0.27	0.00	0.00	0.57
Year-to-date							
Actual	0.36	2.54	1.00	3.54	0.00	-0.51	6.92
Budget	0.45	2.39	0.72	3.25	0.00	0.00	6.82



Note: The monthly budget is assumed to be 1/ 12th of the annual

31 March 2015

Investment movement by sector

	Cash	NZ Bonds	OS Bonds	Listed shares	Private equity	Trust
Month						
Assets at 01 March 2015	6,870,296	39,860,413	15,373,650	102,358,683	696,384	165,159,426
Net investment earnings						
+ Dividends/ Coupons/ interest	23,749	313,994		694,059		1,031,802
+ Realised/ unrealised gains(losses)		-50,040	124,922	-1,140,137		-1,065,255
	23,749	263,954	124,922	-446,078		-33,453
Capital movements	-71,510		-5,073	-615,023		-691,606
Net change in market value	-47,761	263,954	119,848	-1,061,100		-725,059
Assets at 31 March 2015	6,822,535	40,124,367	15,493,498	101,297,583	696,384	164,434,367
Year-to-date						
Assets at 01 April 2014	10,807,068	39,801,233	12,077,149	86,749,749	614,442	150,049,641
Net investment earnings						
+ Dividends/ Coupons/ interest	358,383	2,536,916	999,679	3,027,270		6,922,249
+ Realised/ unrealised gains(losses)		913,336	470,085	12,405,927		13,789,349
	358,383	3,450,253	1,469,764	15,433,197		20,711,598
Capital movements	-4,342,916	-3,127,119	1,946,585	-885,363	81,942	-6,326,872
Net change in market value	-3,984,533	323,134	3,416,349	14,547,834	81,942	14,384,727
Assets at 31 March 2015	6,822,535	40,124,367	15,493,498	101,297,583	696,384	164,434,367

31 March 2015

Allocation of capital & investment strategy

The assets of the Trust are split between cash, bonds and shares. The split is designed to achieve the return objectives of the Trust to support the grants policy. Each class of asset has a different purpose and a different pattern of returns. The resulting asset mix is the investment strategy of the Trust.

The allocation of capital is:

- \$10m is targeted at cash to provide liquidity;
- \$50m at bonds to provide cash flow over the next 10 years, to fund the grants as required;
- The balance is allocated to shares to provide long-term growth. Of the shares, up to \$20m is available for private equity.

31 March 2015

Investment strategy - by investment asset type

The investment strategy should be looked at in terms of the split of the current assets relative to the purpose, the benchmark, the benchmark applied to the capital base and the benchmark applied to 125% of the capital base.



Purpose	Liquidity Certainty Short-term	Income Reduced volatility Medium-term	Inflation protection Growth Long-term	Current grants Intergenerational Equity
Benchmark (\$)	\$10.00m	\$50.00m	\$104.43m	\$164.43 m
Benchmark (%)	6.1%	30.5%	63.5%	100.0%

Current assets vs benchmark

Current assets	\$14.22 m	\$48.22 m	\$101.99 m	\$164.43 m
Benchmark assets	<u>\$10.00 m</u>	<u>\$50.00 m</u>	<u>\$104.43 m</u>	<u>\$164.43 m</u>
Excess (shortfall)	\$4.22 m	-\$1.78 m	-\$2.44 m	\$0.00 m

Current assets vs capital base

Current assets	\$14.22 m	\$48.22 m	\$101.99 m	\$164.43 m
Capital base	<u>\$10.00 m</u>	<u>\$50.00 m</u>	<u>\$83.93 m</u>	<u>\$143.93 m</u>
Excess (shortfall)	\$4.22 m	-\$1.78 m	\$18.06 m	\$20.50 m

Current assets vs 125% x capital base

Current assets	\$14.22 m	\$48.22 m	\$101.99 m	\$164.43 m
Target assets	<u>\$10.00 m</u>	<u>\$50.00 m</u>	<u>\$119.91 m</u>	<u>\$179.91 m</u>
Excess (shortfall)	\$4.22 m	-\$1.78 m	-\$17.92 m	-\$15.48 m

Notes:

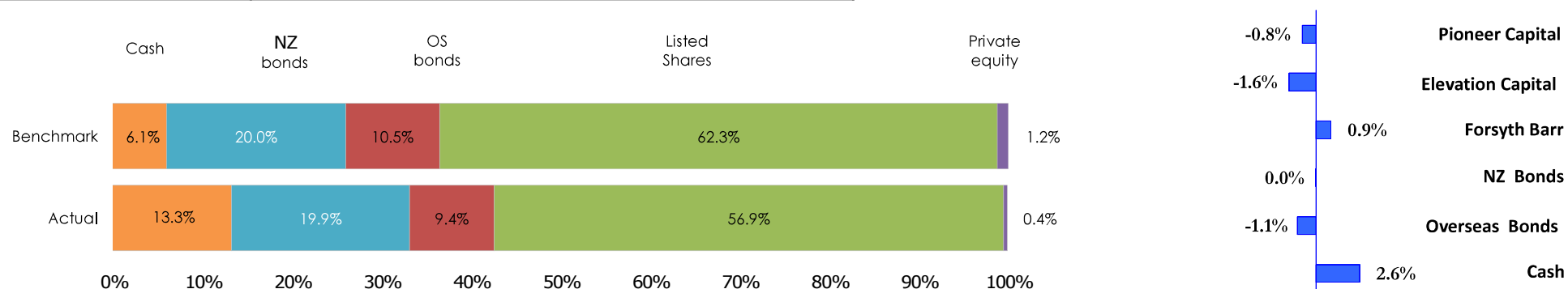
1. For the target asset levels, the cash holdings should include the undistributed distribution a/c.
2. The allocation to bonds is below the optimal level for 125% x Capital base.
3. The allocation to shares/property is below the benchmark level on each basis, reflecting the general downturn in the markets over the last 6 years.
4. The capital base (i.e. \$143.93m) represents the inflation adjusted original capital base set in April 1997 (i.e. \$90m) and should, in addition, include the undistributed grants reserve. The current assets should ideally exceed the value of these.

31 March 2015

Investment strategy - by manager and asset type

	Listed shares	Private equity	Bonds	Cash	Total	Actual	
						\$	%
Growth							
Listed shares							
Elevation Capital	\$45,028,059			\$3,238,411	\$48,266,471	\$48.27m	29.4%
Forsyth Barr	\$48,576,929			\$3,650,071	\$52,227,001	\$52.23m	31.8%
Private equity							
Pioneer Capital		\$696,384			\$696,384	\$0.70m	0.4%
						\$101.19m	61.5%
Income							
NZ bonds			\$32,724,297		\$32,724,297	\$32.72m	19.9%
Overseas bonds			\$15,493,498		\$15,493,498	\$15.49m	9.4%
						\$48.22m	29.3%
Cash							
Trust				\$6,822,535	\$6,822,535	\$6.82m	4.1%
Forsyth Barr Esam Cushing				\$7,400,070	\$7,400,070	\$7.40m	4.5%
FX Overlay1				\$804,112	\$804,112	\$0.80m	0.5%
						\$15.03m	9.1%
Total	\$93,604,989	\$696,384	\$48,217,795	\$21,915,199	\$164,434,367		
Current allocation (%)	56.9%	0.4%	29.3%	13.3%	100.0%		
Difference from benchmark	-5.4%	-0.8%	-1.1%	7.2%			
Benchmark	62.3%	1.2%	30.4%	6.1%	100.0%		
Indices used for comparison	MSCI world net div (currency unhedged)	NZX 50 index	ANZ Corp A grade/Citigroup WGBI index	NZX call index			

Position from benchmark



31 March 2015

Investment returns & currency

This section summarises the overall Trust's returns, the managers' returns by sector.

A summary on the current currency exposure levels is also given.

31 March 2015

Trust performance - current year and historically

The "Trust return" is the overall performance of the Trust and includes both the income and the change in the market value of the assets. The "policy return" is the return of the Trustees' investment policies in the context of what happened in the investment markets. Details of the returns of the different investment market sectors are shown on page 19 and details of the indices are on page 37.

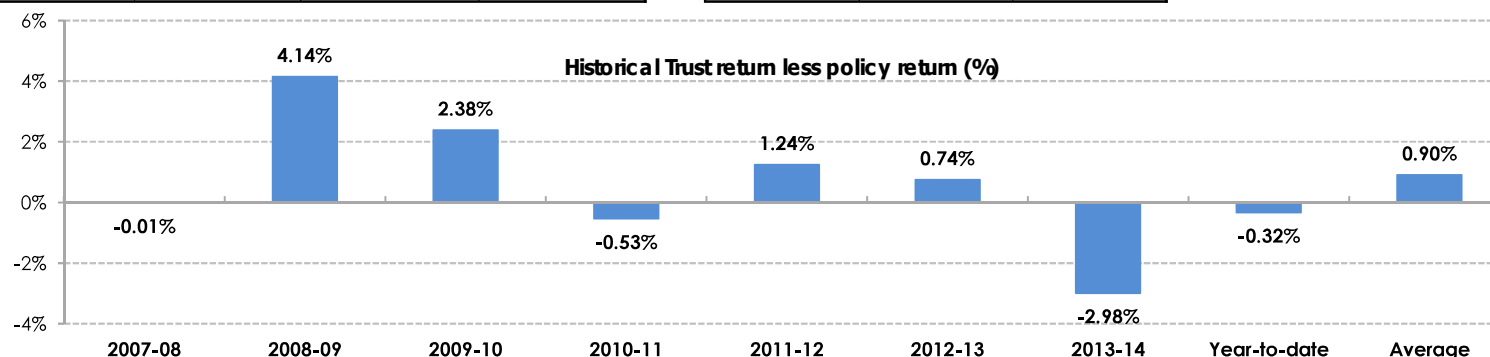
For the 2014 -15 year, the Trust has achieved a total return of 14.10%, which was 0.32% below the policy return. The 0.32% represents a Trust return of \$0.78m, below what the policy return achieved.

	Trust return (%)	Policy return (%)	Difference (%)
March-15	(0.02%)	(0.12%)	0.10%
Year	14.10%	14.42%	(0.32%)
March-15	(0.02%)	(0.12%)	0.10%
February-15	0.66%	2.35%	(1.69%)
January-15	3.69%	2.20%	1.49%
December-14	0.00%	(0.24%)	0.24%
November-14	0.88%	1.49%	(0.61%)
October-14	1.32%	0.97%	0.35%
September-14	0.00%	1.17%	(1.17%)
August-14	1.57%	2.23%	(0.65%)
July-14	0.68%	0.48%	0.20%
June-14	0.00%	0.05%	(0.05%)
May-14	1.48%	1.92%	(0.43%)
April-14	2.01%	1.10%	0.91%

Trust (\$m)	Policy (\$m)	Difference (\$m)
(\$0.03)	(\$0.20)	\$0.17
\$20.71	\$21.49	(\$0.78)
(\$0.03)	(\$0.20)	\$0.17
\$1.09	\$3.89	(\$2.80)
\$5.86	\$3.62	\$2.24
(\$0.05)	(\$0.39)	\$0.34
\$1.40	\$2.38	(\$0.98)
\$2.07	\$1.54	\$0.53
\$1.71	\$1.84	(\$0.13)
\$2.40	\$3.41	(\$1.01)
\$1.04	\$0.74	\$0.30
(\$0.06)	\$0.08	(\$0.14)
\$2.27	\$2.93	(\$0.66)
\$3.01	\$1.65	\$1.36

Trust performance - Historical

	Trust (%)	Policy (%)	Difference (%)
2014-15 year	14.10%	14.42%	(0.32%)
2013-14	6.26%	9.24%	(2.98%)
2012-13	10.61%	9.87%	0.74%
2011-12	(0.39%)	(1.63%)	1.24%
2010-11	7.44%	7.97%	(0.53%)
2009-10	26.25%	23.88%	2.38%
2008-09	(8.51%)	(12.65%)	4.14%
2007-08	(2.43%)	(2.42%)	(0.01%)
Since inception (% p.a.)	7.39%	6.49%	0.90%



Note: The assumptions behind the investment policies contemplated a 2014/ 15 return of 7.38% a year, made up of income of 4.34% and growth of 3.04%.

31 March 2015

Currency & overseas shares returns

In terms of the overseas share investments, the return received depends on the returns from the share markets, and the change in value, through movement in the exchange rate. This ignores the return received through dividends.

The movement in the exchange rate is managed through hedging by way of forward contracts. When hedging contracts are held, the investors receive the benefit of the interest rate differential built into the contracts. This page looks at the source of returns with respect to the overseas share investments.

Split of policy return:	Total	Elevation Capital	Forsyth Barr
Share market movement	(\$483,827)	(\$484,145)	\$318
Currency movement (50% hedged)	(\$307,700)	(\$154,954)	(\$152,746)
Policy return	(\$791,527)	(\$639,099)	(\$152,428)
Currency management	\$63,234	\$11,473	\$51,762
Total return	(\$728,293)	(\$627,626)	(\$100,667)

Note:

The return on the combined Forsyth Barr and Elevation Capital managed shares for the month was -\$1,099,227. This can be split between the market movement and the movement in the NZ dollar.

Market movement	(\$483,827)
Exchange rate movement	(\$615,400)
	<u>(\$1,099,227)</u>

The Trust's policy is to be 50% hedged, therefore the policy return for the month is -\$791,527, i.e. the market movement and 50% of the exchange rate movement. The total return from the listed shares was -\$728,293. Therefore the hedging management policy, to depart from the neutral position, increased \$63,234 over the month.

Historically, over the 2014/2015 year, the split has been:

Return from:	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Year 2014/15
Share markets	\$1,664,634	\$643,193	\$524,764	(\$657,055)	\$917,393	(\$906,691)	\$716,364	\$2,176,791	(\$330,378)	\$2,138,088	\$3,157,997	(\$483,827)	\$9,561,273
Application of 50% neutral policy	\$370,293	\$355,157	(\$853,409)	\$759,170	\$456,334	\$1,747,964	(\$50,179)	(\$809,483)	(\$326,371)	\$2,032,117	(\$1,695,260)	(\$307,700)	\$1,678,632
= Benchmark return	\$2,034,927	\$998,350	(\$328,645)	\$102,114	\$1,373,727	\$841,273	\$666,185	\$1,367,308	(\$656,748)	\$4,170,205	\$1,462,737	(\$791,527)	\$11,239,905
Impact movement of policy from 50%	(\$50,549)	\$277,901	(\$50,135)	\$167,023	\$295,453	\$183,885	\$230,250	(\$514,381)	\$22,366	\$486,932	(\$495,894)	\$63,234	\$616,087
= Total return	\$1,984,378	\$1,276,251	(\$378,780)	\$269,138	\$1,669,180	\$1,025,158	\$896,435	\$852,926	(\$634,382)	\$4,657,137	\$966,843	(\$728,293)	\$11,855,992

31 March 2015

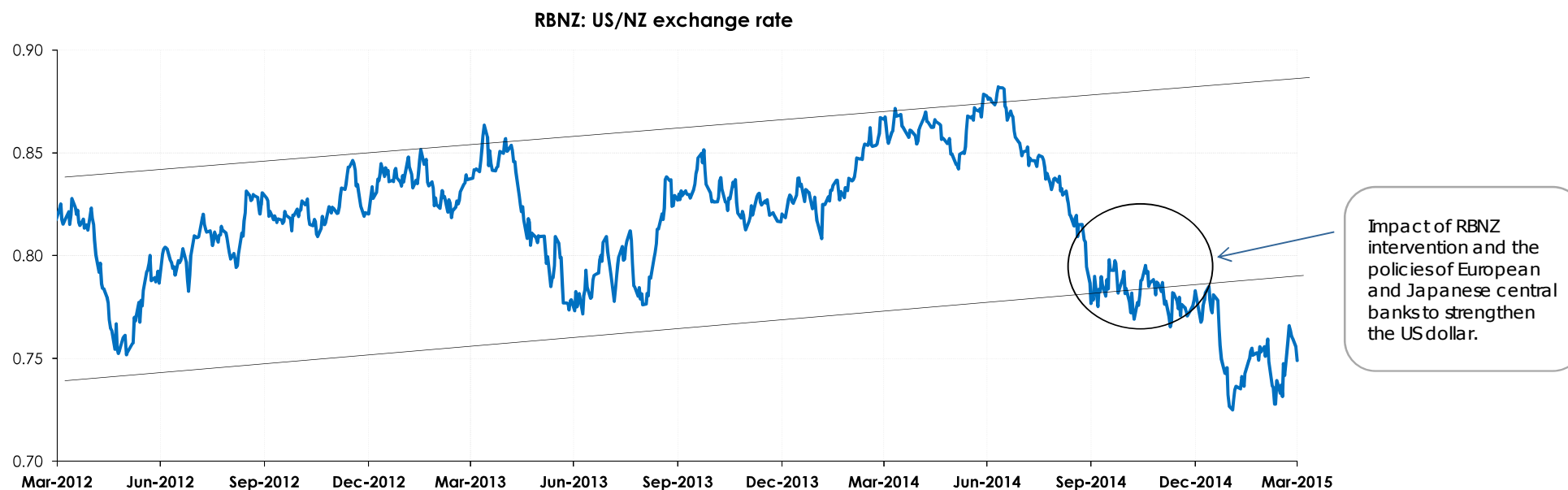
Hedging levels

The benchmark position is to be 50% hedged against the foreign currency exposures. This is an average position over the long term. The actual hedging level is varied between 0% and 100% by the Trustees.

At month end, the overseas shares hedging level is approximately 50%. However, the individual country levels are more important. On 31 March 2015, the individual currency target hedging levels were:

	AUD	EURO	GBP	USD
Hedging level	0%	50%	50%	0%

On 31 March 2015, the RBNZ US\$/NZ\$ exchange rate was 0.7490. Since 31 March 2012 it has been:



31 March 2015

Manager performance

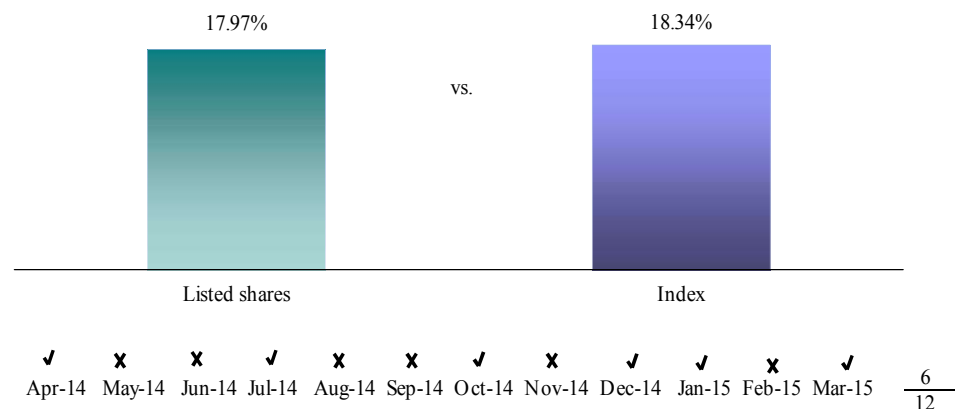
This section summarises performance by manager relative to the benchmark indices along with the attribution analysis.

31 March 2015

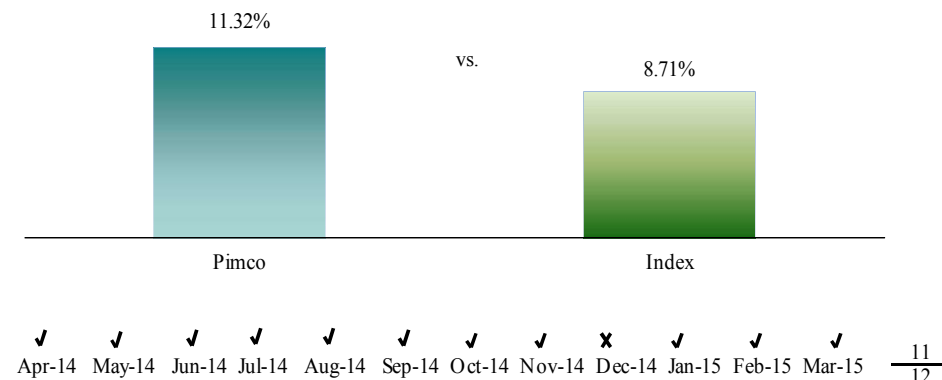
Last 12 months' performance relative to market benchmark returns

Details of the indices are on page 37.

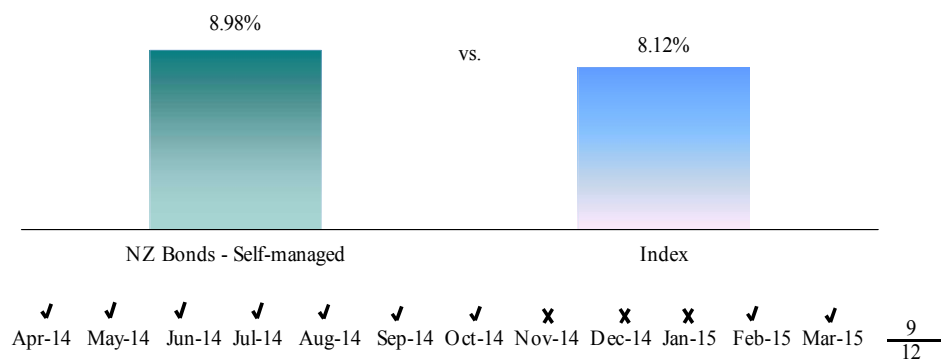
Listed shares



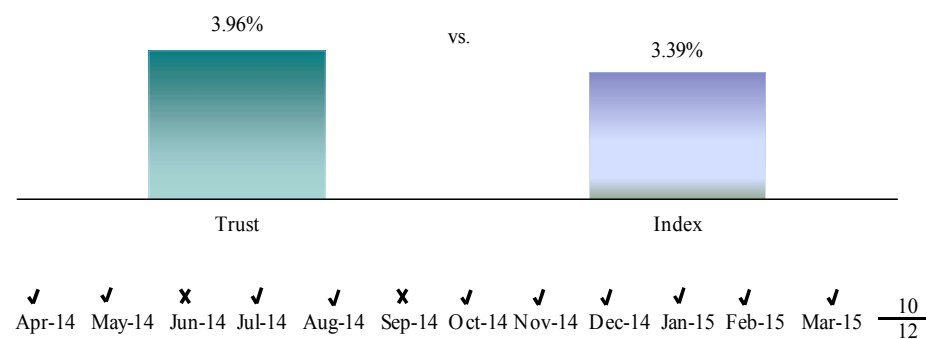
OS bonds - Pimco



NZ bonds - Self-managed



Cash - Self-managed



31 March 2015

Last 12 months' attribution analysis

The following table sets out the reporting month's value added (i.e. the difference between the Trust's returns and the general market returns) broken down by asset allocation, stock selection, and timing effect. The general market return is the "benchmark" return i.e. the return that could be achieved if the investment policies were implemented "perfectly".

Value Added: -0.32%								
Benchmark return	+	Asset allocation	+	Stock selection	+	Timing effect	=	Actual return
14.42%	+	-0.06%	+	3.10%	+	-3.36%	=	14.10%

Year-to-date attribution analysis

This page sets out the year to date value added (i.e. the difference between the Trust's returns and the general market returns) broken down by asset allocation, stock selection, and timing effect. The general market return is the "benchmark" return i.e. the return that could be achieved if the investment policies were implemented "perfectly".

Value Added: -0.32%								
Benchmark return	+	Asset allocation	+	Stock selection	+	Timing effect	=	Actual return
14.42%	+	-0.06%	+	3.10%	+	-3.36%	=	14.10%

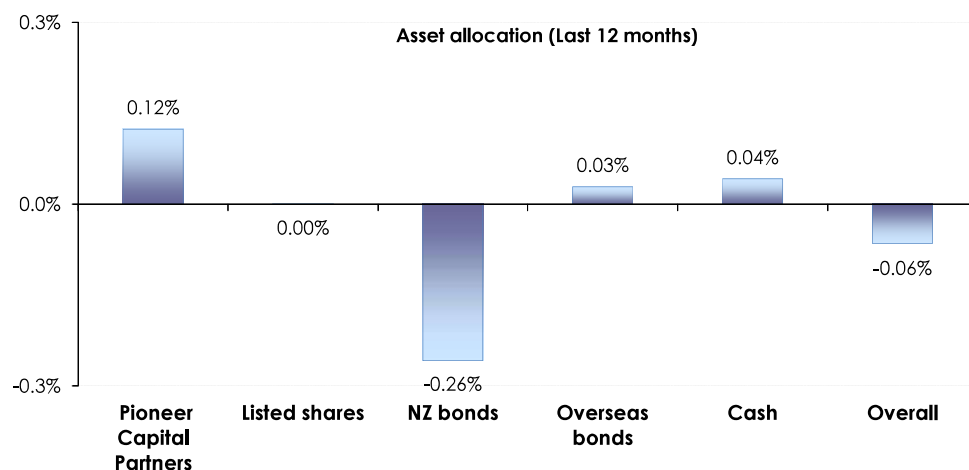
31 March 2015

This page sets out the value added (i.e. the difference between the Trust's returns and the general market returns) broken down by individual sector for the month. The general market return is the "benchmark" return i.e. the return that could be achieved if the investment policies were implemented "perfectly".

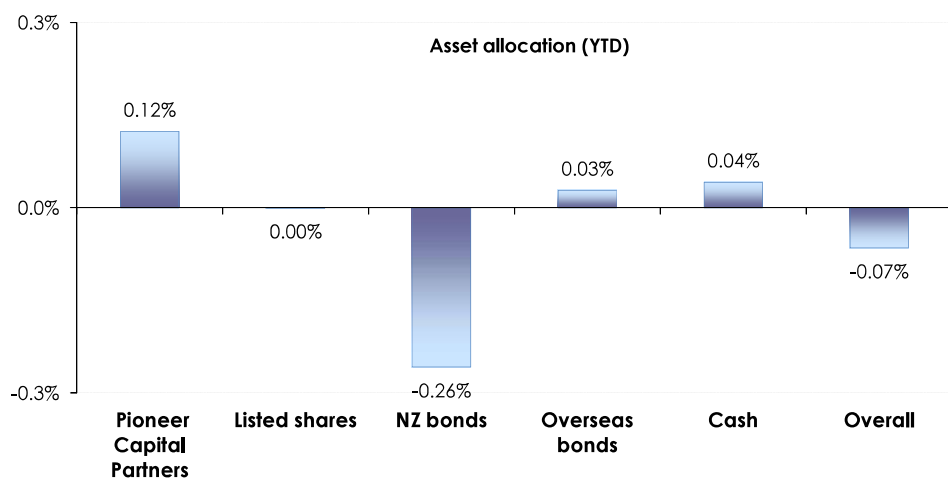
Asset allocation attribution analysis

The value from asset allocation relates to the impact of the decisions to vary the short-term strategy away from the benchmark.

Last 12 months'

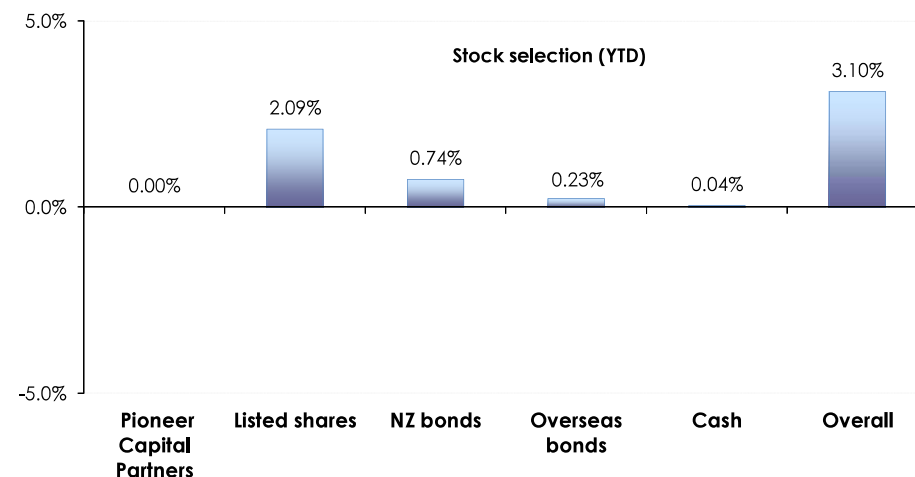
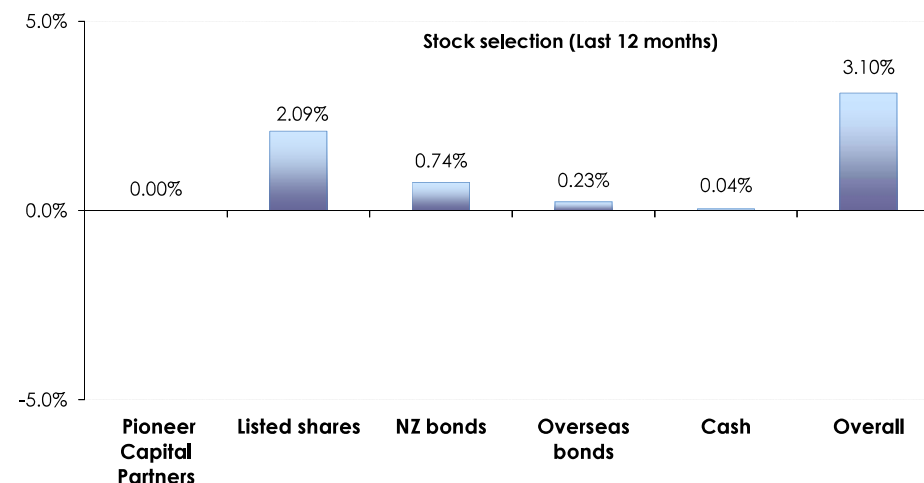


Year-to-date



Stock selection attribution analysis

The value from stock selection relates to the decision to hold a portfolio of assets different to the assets reflective of the overall market.

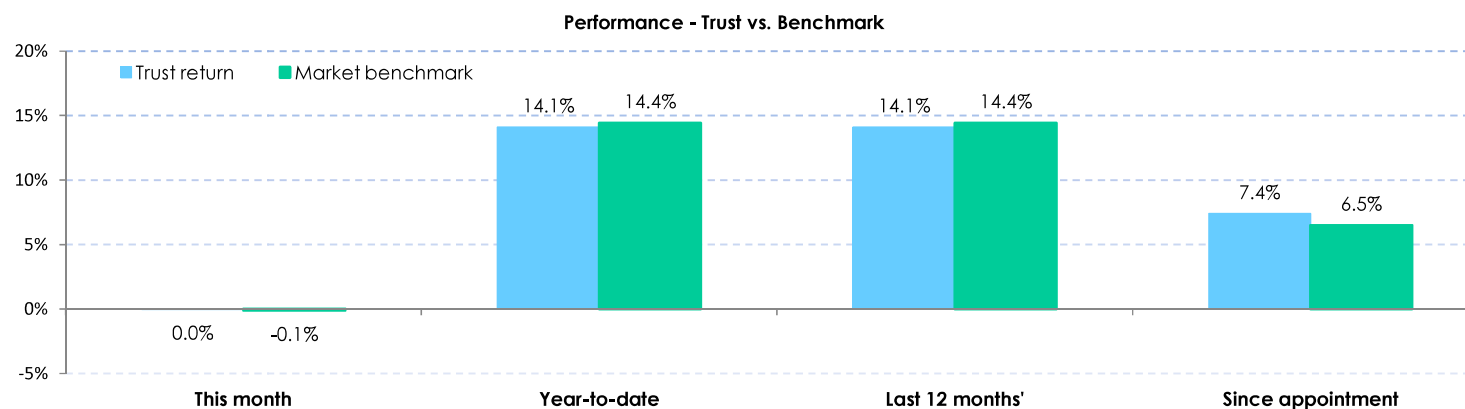


31 March 2015

Performance by manager

	This month (%)			Year-to-date (%)			Last 12 months' (%)			Since appointment (%p.a.)		
	returns			returns			returns			returns		
	Actual	Benchmark	Value added	Actual	Benchmark	Value added	Actual	Benchmark	Value added	Actual	Benchmark	Value added
Overall Trust return	-0.02%	-0.12%	0.10%	14.10%	14.42%	-0.32%	14.10%	14.42%	-0.32%	7.39%	6.49%	0.90%
Total shares	-0.43%	-0.56%	0.12%	17.93%	18.34%	-0.40%	17.93%	18.34%	-0.40%	8.30%	6.69%	1.61%
Listed shares	-0.44%	-0.56%	0.12%	17.97%	18.34%	-0.37%	17.97%	18.34%	-0.37%	11.72%	15.40%	-3.68%
Elevation Capital (portfolio)	-1.07%	-0.70%	-0.37%	15.79%	22.33%	-6.54%	15.79%	22.33%	-6.54%	7.91%	15.11%	-7.20%
Shares	-1.45%	-0.70%	-0.75%	16.91%	22.33%	-5.42%	16.91%	22.33%	-5.42%	7.65%	15.11%	-7.46%
Liquidity	-0.92%			1.03%			1.03%			1.97%		
Forsyth Barr (portfolio)	0.16%	-0.70%	0.86%	22.93%	22.33%	0.60%	22.93%	22.33%	0.60%	14.55%	15.11%	-0.56%
Shares	-0.26%	-0.70%	0.44%	23.03%	22.33%	0.70%	23.03%	22.33%	0.70%	13.28%	15.11%	-1.82%
Liquidity	0.18%			-0.01%			-0.01%			0.80%		
Currency hedging	0.36%	0.15%	0.22%	-1.33%	-3.58%	2.25%	-1.33%	-3.58%	2.25%	0.95%	0.01%	0.94%
Pioneer Capital Partners	0.00%			0.00%			0.00%			0.00%		
NZ bonds - Self-managed	0.66%	0.53%	0.13%	8.98%	8.12%	0.85%	8.98%	8.12%	0.85%	7.68%	6.87%	0.81%
OS bonds - Pimco	0.81%	0.55%	0.26%	11.32%	8.71%	2.61%	11.32%	8.71%	2.61%	7.08%	5.10%	1.98%
Self-managed - cash	0.35%	0.30%	0.05%	3.96%	3.39%	0.57%	3.96%	3.39%	0.57%	6.04%	5.20%	0.84%

Note: Details of the benchmark indices are on page 37.



31 March 2015

Listed shares portfolio

Elevation Capital - Christopher Swasbrook

Forsyth Barr - Richard Burton

The objective of the portfolio is to provide:

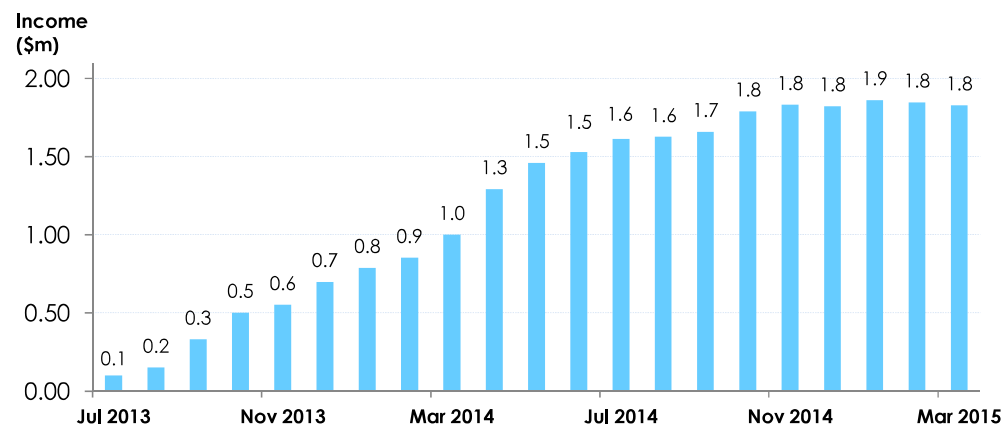
- an income stream of 4.0% of the value of the portfolio each year, and
- a growing level of dividend income in absolute terms over rolling 1 year periods, and
- an increasing portfolio value over a five year period.

31 March 2015

Summary of Income

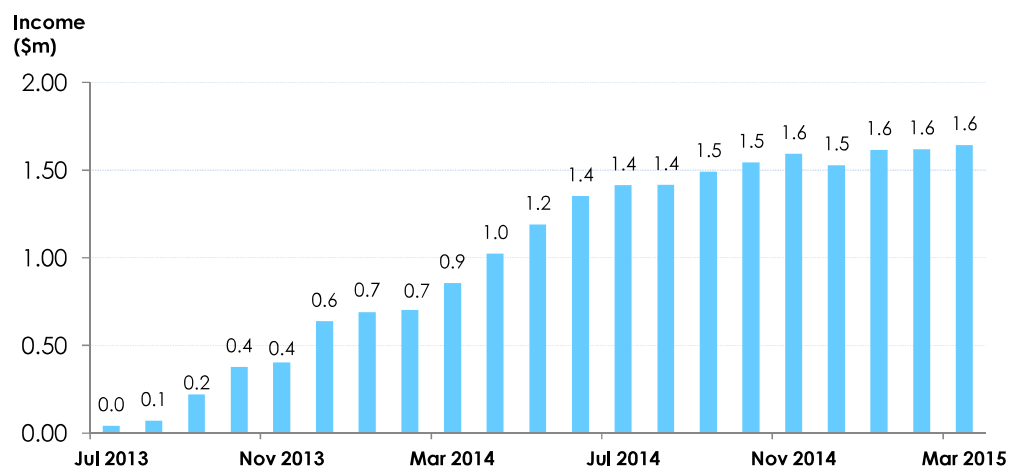
Cumulative dividend income for 12 month periods to month shown (\$m)

Elevation Capital



Assets	\$48,266,471
Distributions paid out since appointment	\$2,757,851

Forsyth Barr

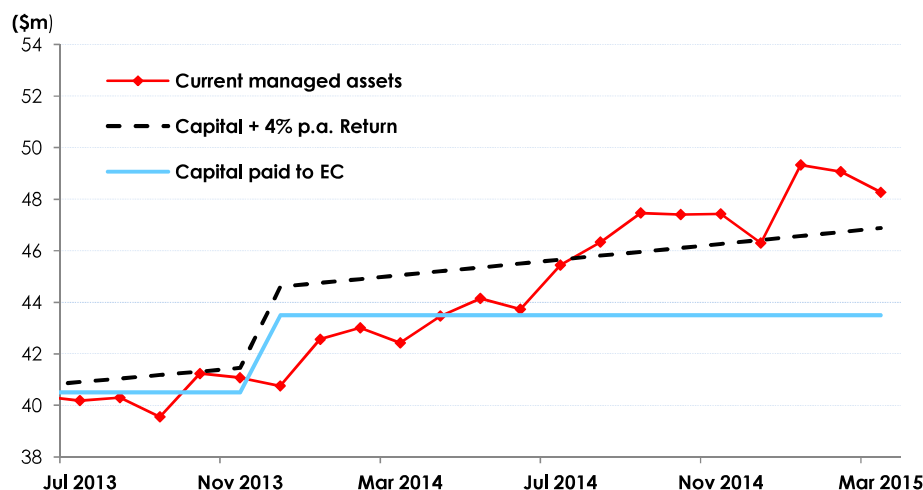


Assets	\$52,227,001
Distributions paid out since appointment	\$2,449,098

31 March 2015

Growth in portfolio

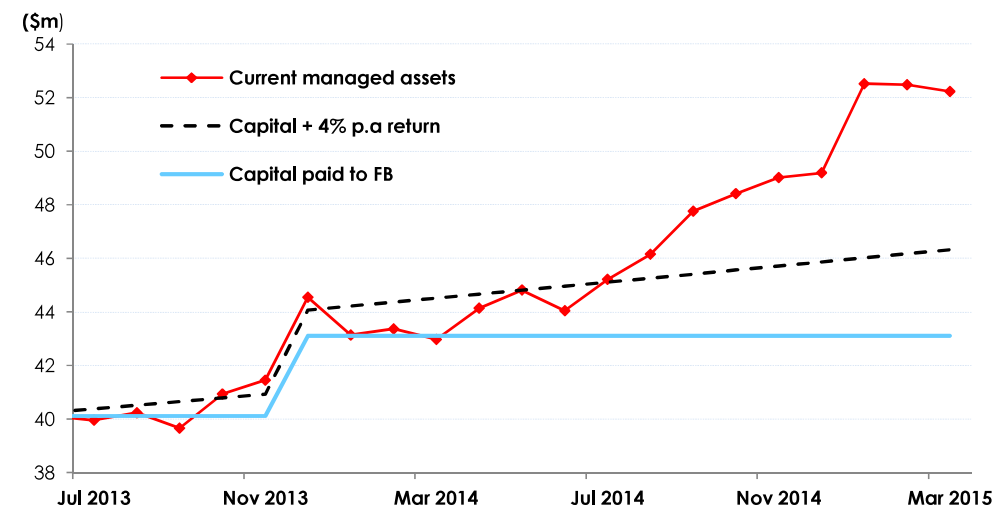
Elevation Capital



	Financial year to date	Since appointment
Value start of the year	\$38,701,167	
New capital given to manager		\$43,500,000
Dividends received/earned	\$1,829,309	\$2,830,078
Distributions paid to Trust	(\$1,873,219)	(\$2,757,851)
Market movement	\$4,719,514	\$2,534,140
Currency movement	\$1,651,287	(\$1,078,307)
Cash	\$3,238,411	\$3,238,411
Value at 31 Mar 2015	\$48,266,471	\$48,266,471

Note: Elevation Capital has also returned \$2.76m to the Trust since appointment.

Forsyth Barr



	Financial year to date	Since appointment
Value start of the year	\$42,357,876	
New capital given to manager		\$43,113,670
Dividends received/earned	\$1,643,371	\$2,498,963
Distributions paid to Trust	(\$1,626,301)	(\$2,449,098)
Market movement	\$4,496,006	\$6,342,291
Currency movement	\$1,705,977	(\$928,896)
Cash	\$3,650,071	\$3,650,071
Value at 31 Mar 2015	\$52,227,001	\$52,227,001

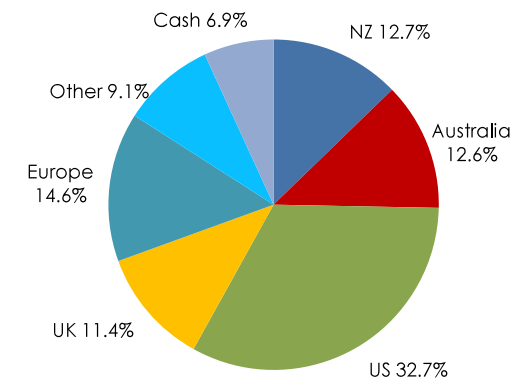
Note: Forsyth Barr has also returned \$2.45m to the Trust since appointment.

Note: The difference between dividends & interest earned, and what was paid out, is the exchange rates used.

31 March 2015

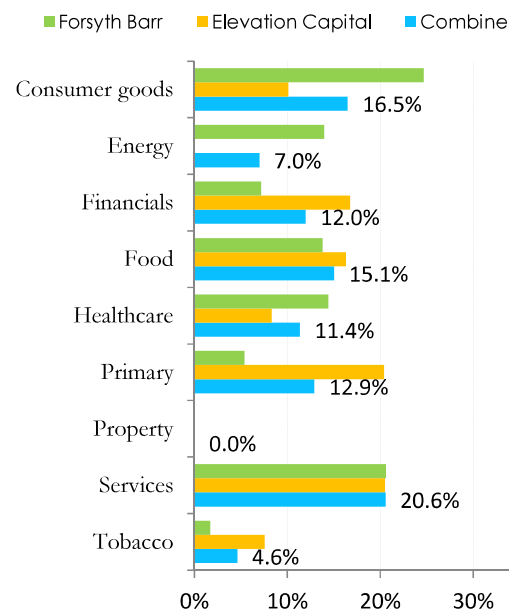
Geographic split

Country of listing	No. of holdings			Value of holdings			%
	EC	FB	Total	EC	FB	Total	
NZ	4	11	15	3,138,675	9,654,500	12,793,175	12.7%
Australia	11	6	17	7,998,723	4,638,166	12,636,889	12.6%
US	22	20	42	14,911,523	17,999,686	32,911,210	32.7%
UK	7	7	14	5,809,362	5,670,058	11,479,420	11.4%
Europe	7	10	17	5,843,108	8,819,669	14,662,777	14.6%
Other	10	2	12	7,326,667	1,794,851	9,121,518	9.1%
Shares	61	56	117	45,028,059	48,576,929	93,604,989	93.1%
Cash				3,238,411	3,650,071	6,888,483	6.9%
Total				48,266,471	52,227,001	100,493,471	100.0%

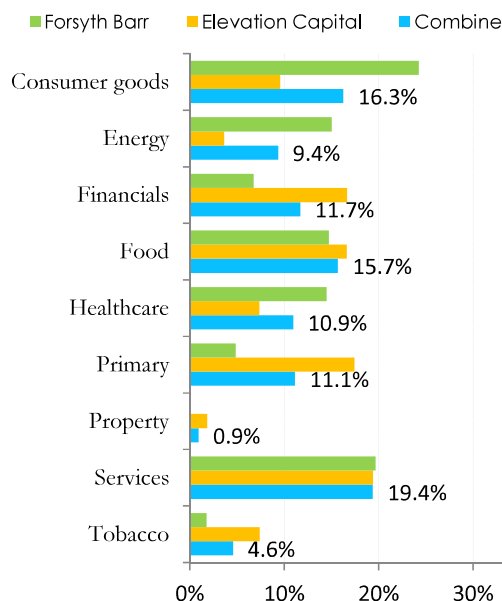


Industry split

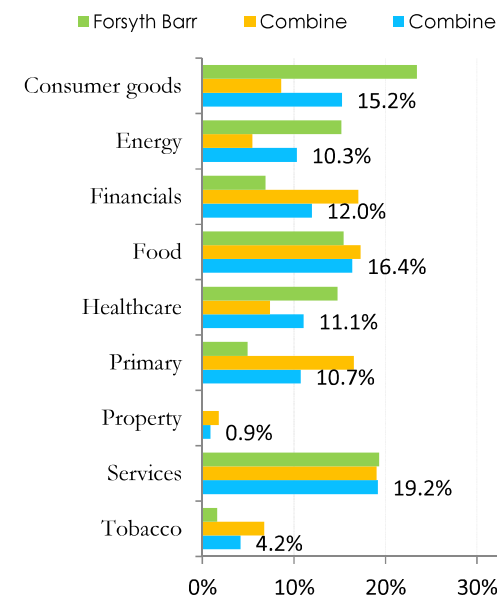
Start of the year 31 Mar 2014



Start of the month 28 Feb 2015



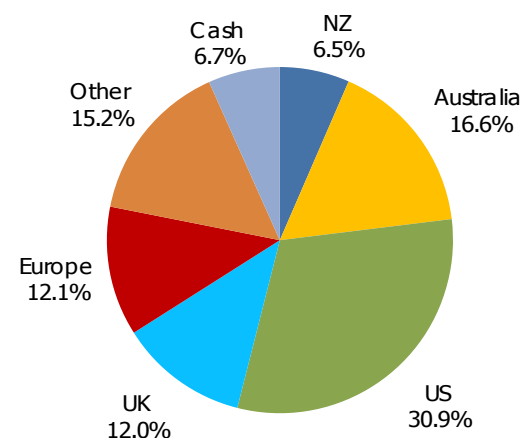
End of the month 31 Mar 2015



31 March 2015

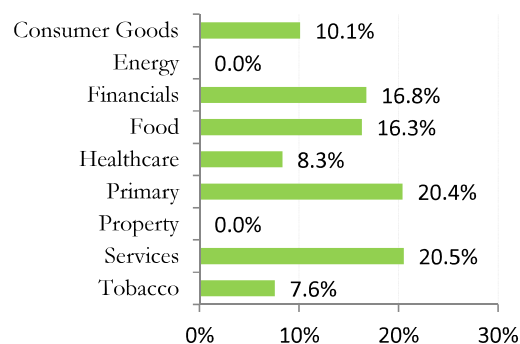
Geographic split

Country of listing	No. of holdings	\$	%
NZ	4 shares	3,138,675	6.5%
Australia	11 shares	7,998,723	16.6%
US	22 shares	14,911,523	30.9%
UK	7 shares	5,809,362	12.0%
Europe	7 shares	5,843,108	12.1%
Other	10 shares	7,326,667	15.2%
Shares	61 shares	45,028,059	93.3%
Cash		3,238,411	6.7%
Total		48,266,471	100.0%

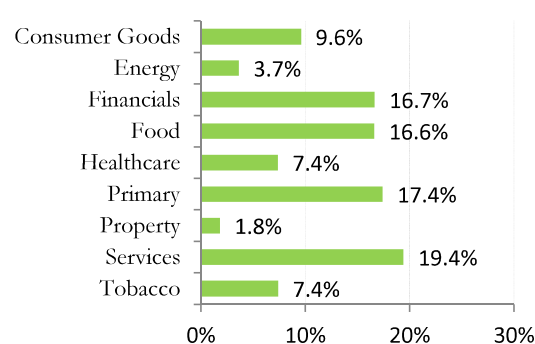


Industry split

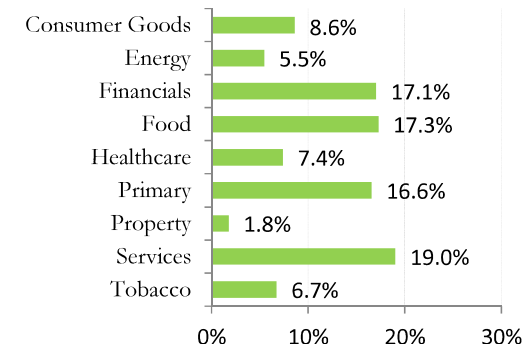
Start of the year 31 Mar 2014



Start of the month 28 Feb 2015



End of the month 31 Mar 2015



Concentration risks:

Shares that are 20% or more above the "equal weighting target" of \$827,616

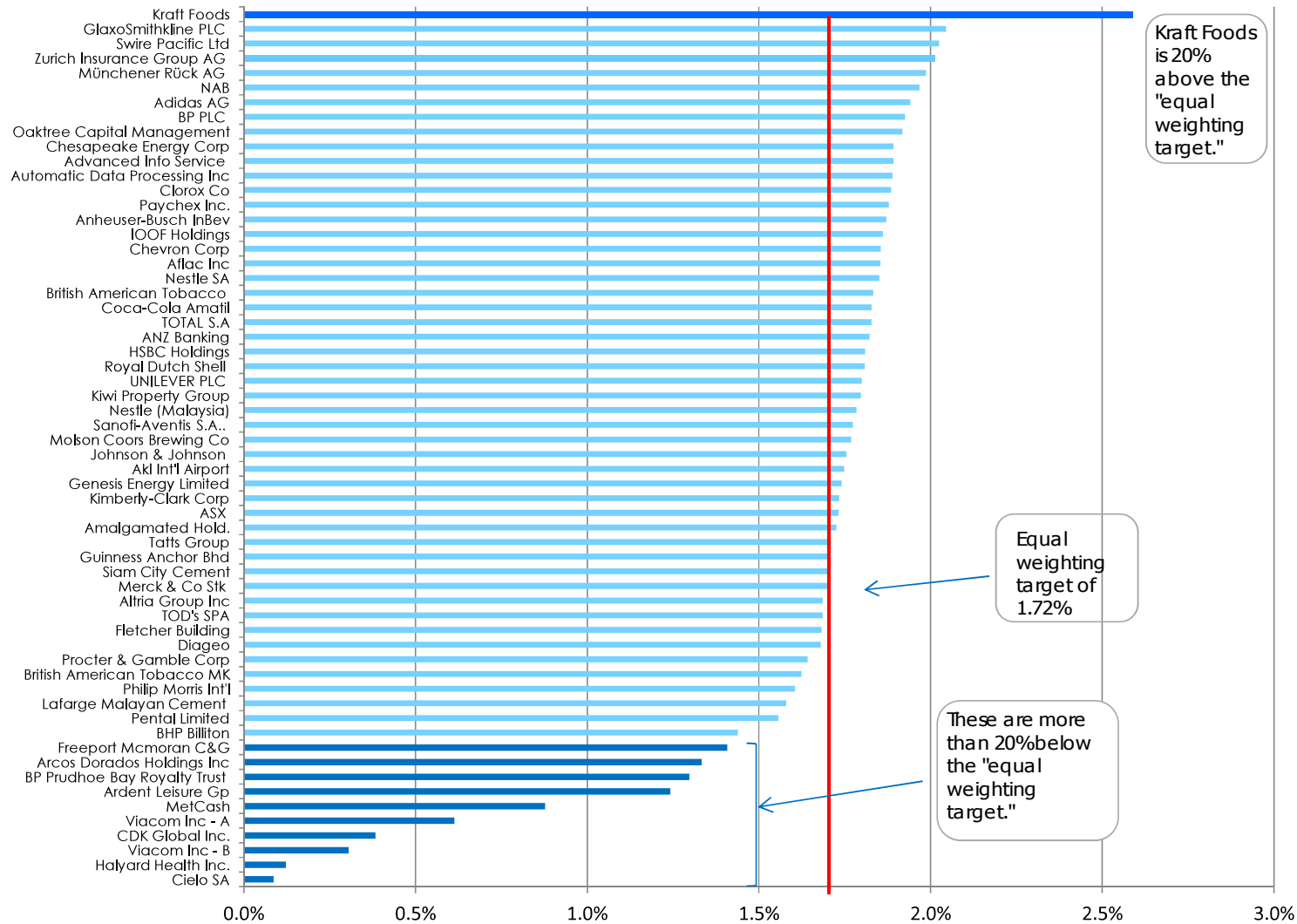
[Kraft Foods](#)

Shares that are 20% or less below the "equal weighting target" of \$827,616

BHP Billiton Ardent Leisure Gp MetCash Arcos Dorados Holdings Inc BP Prudhoe Bay Royalty Trust CDK Global Inc. Freeport McMoran C&G Cielo SA Halyard Health Inc. Viacom Inc - A Viacom Inc - B

31 March 2015

Portfolio weightings



31 March 2015

Note: The following table is extracted from the next tables, with figures shown in dollars.

	During the year						
	Values			Gain/loss		Values	
	Start	Buys	Sells	Market	Currency	End	Net dividend
Overall shares	38,701,167	10,283,948	-8,699,415	3,091,072	1,651,287	45,028,059	1,829,309
Liquidity (cash)	3,725,233	1,000,000	-1,525,408	-44,852	83,439	3,238,411	54,827
Overall asset	42,426,400	11,283,948	-10,224,823	3,046,220	1,734,726	48,266,471	1,884,136

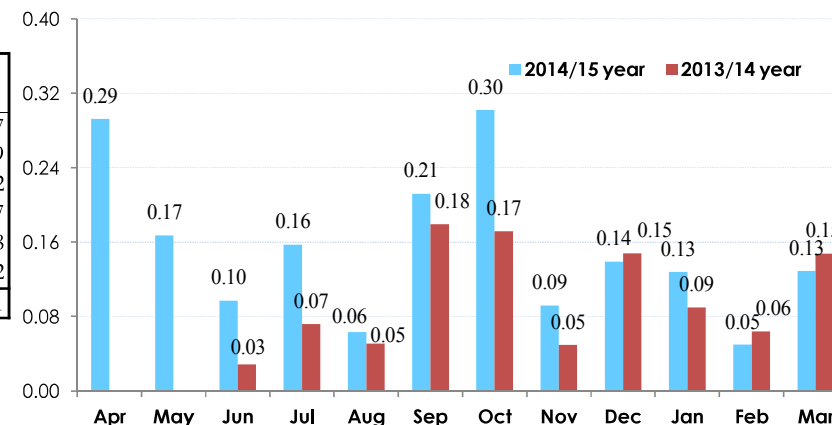
	During the month						
	Values			Gain/loss		Values	
	Start	Buys	Sells	Market	Currency	End	Net dividend
NZ	3,287,344	-	-146,799	-1,870	-	3,138,675	-
AUST	8,409,783	49,025	-148,053	-199,030	-113,002	7,998,723	58,599
US	14,412,387	801,374	-283,832	-201,550	183,144	14,911,523	20,678
UK	6,144,576	84,757	-69,408	-184,055	-166,508	5,809,362	32,145
Europe	6,208,749	-	-312,812	121,586	-174,414	5,843,108	9,223
Other	7,385,021	-	-	-19,226	-39,128	7,326,667	8,374
Overall shares	45,847,860	935,156	-960,904	-484,145	-309,908	45,028,059	129,018
Liquidity (cash)	3,219,544	-	53,884	-1,608	-33,408	3,238,411	5,335
Overall asset	49,067,404	935,156	-907,020	-485,753	-343,317	48,266,471	134,353

Returns		
Month	Year	Since Inception
-0.1%	18.4%	13.8%
-3.0%	4.3%	0.0%
0.0%	25.1%	14.3%
-5.2%	6.9%	4.2%
-0.7%	14.4%	14.1%
-0.7%	25.1%	4.4%
-1.5%	16.9%	7.6%
-0.9%	1.0%	2.0%
-1.4%	15.8%	7.9%

Cash holdings

Currencies	Ex rate 28 Feb 15	Start values (local)	End values (local)	Ex rate 31 Mar 15	Currency gain/loss	End values (NZ\$)
New Zealand dollars	1.0000	1,791,705	1,919,077	1.0000	-0	1,919,077
Australian dollars	0.9683	321,576	430,928	0.9820	-6,767	438,849
Swiss Franc	0.7211	226,176	-8	0.7268	0	-12
Euro	0.6756	187,102	398,641	0.6957	-16,748	573,007
Pound Sterling	0.4901	566	66,827	0.5038	-508	132,658
US dollars	0.7564	381,213	130,722	0.7477	-9,385	174,832
					-33,408	3,238,411

Year-to-date income (\$m)



31 March 2015

Code	Company	Industry	Average purchase cost	During the year										Returns			
				Holdings		Price NZD		Values			Gain/loss		End Values				Net dividend
				Start	End	Start	End	Start	Buys	Sells	Market movement	Currency		Month	Year	Since Inception	
New Zealand																	
AIA	Akl Int'l Airport	Services	3.00	225,000	175,000	3.87	4.50	870,750	-	-199,773	116,523	-	787,500	14,175	3.6%	17.3%	25.2%
FBU	Fletcher Building	Primary	8.32	97,000	90,000	9.63	8.42	934,110	-	-69,185	-107,125	-	757,800	33,660	-2.5%	-8.7%	4.1%
GNE	Genesis Energy Limited	Energy	1.78	-	350,000	-	2.24	-	789,556	-192,209	186,653	-	784,000	25,325	0.3%	56.6%	56.6%
GTK	Gentrack Group Limited	Services	2.40	-	-	-	-	-	60,000	-62,800	2,800	-	-	-	0.0%	4.7%	4.7%
GMT	Goodman Prop	Property	1.07	760,000	-	0.96	-	729,600	-	-856,173	126,573	-	-	36,063	0.0%	25.3%	8.6%
KIPGC	Kiwi Inome Prop	Property	1.08	750,000	-	1.03	-	772,500	-	-772,500	-	-	-	50,574	0.0%	4.4%	5.6%
KPG	Kiwi Property Group	Property	1.20	-	625,000	-	1.30	-	772,500	-21,104	57,979	-	809,375	-	-1.5%	7.5%	7.5%
MRP	Mighty River Power	Energy	2.32	400,000	-	2.19	-	876,000	-	-968,331	92,331	-	-	5,505	0.0%	12.2%	3.9%
NZ subtotal in \$ooo's		4 shares						4,183	1,622	-3,142	476	-	3,139	165	-0.1%	18.4%	13.8%
Australia																	
AHD	Amalgamated Hold.	Services	10.04	80,000	65,000	9.29	11.96	743,272	-	-184,667	262,051	-43,528	777,127	34,819	-4.6%	35.4%	15.3%
ANZ	ANZ Banking	Financials	33.02	24,500	22,000	35.31	37.31	864,983	-	-92,431	81,539	-33,193	820,897	44,131	2.2%	11.5%	11.4%
BHP	BHP Billiton	Primary	40.39	19,900	20,500	38.95	31.60	775,046	19,850	-	-120,946	-26,142	647,808	31,650	-6.8%	-15.3%	-9.1%
AAD	Ardent Leisure Gp	Services	2.03	320,000	245,000	2.67	2.28	854,336	16,825	-251,649	-34,721	-25,903	558,888	33,958	-8.0%	-8.9%	13.7%
ASX	ASX	Financials	43.76	18,500	18,500	38.52	42.17	712,617	-	-	106,486	-38,937	780,167	36,044	-5.5%	14.6%	0.6%
CCL	Coca-Cola Amatil	Food	14.09	60,000	75,000	11.78	10.98	706,749	157,161	-	956	-41,505	823,362	36,509	2.1%	-1.8%	-13.0%
IFL	IOOF Holdings	Financials	9.60	84,300	80,000	9.45	10.48	796,727	-	-45,634	125,850	-38,611	838,332	43,036	-4.4%	17.5%	7.1%
MTS	MetCash	Food	4.14	250,000	250,000	2.80	1.58	699,487	-	-	-290,817	-14,047	394,623	41,982	-2.6%	-39.3%	-38.3%
NAB	NAB	Financials	35.79	22,575	22,575	37.87	39.26	854,880	-	-	70,651	-39,268	886,263	47,852	0.3%	9.9%	10.0%
PTL	Pental Limited	Consumer Goods	0.04	-	1,700,000	-	0.41	-	938,791	-	-173,313	-64,322	701,156	27,792	-7.5%	-26.2%	-26.2%
TTS	Tatts Group	Services	3.72	250,000	190,000	3.10	4.05	774,242	-	-240,512	272,212	-35,841	770,100	35,536	-0.8%	37.3%	6.6%
AUST subtotal in \$ooo's		11 shares		ex-rate		0.9364	0.9820	7,782	1,133	-815	300	-401	7,999	413	-3.0%	4.3%	0.0%

31 March 2015

CodeCompanyIndustry			Average purchase cost	During the year										Returns				
				Holdings		Price NZD		Values			Gain/loss		End Values				Net dividend	
				Start	End	Start	End	Start	Buys	Sells	Market movement	Currency		Month	Year	Since Inception		
United States																		
MO	Altria Group Inc	Tobacco	44.51	18,100	11,350	42.79	66.90	774,448	-	-429,936	283,996	130,790	759,298	34,606	-9.6%	63.4%	29.7%	
AFL	Aflac Inc	Financials	69.93	-	9,750	-	85.61	-	804,142	-142,097	56,821	115,824	834,690	16,759	4.6%	27.4%	27.4%	
ADP	Automatic Data Processing Inc	Services	86.77	8,250	7,425	88.70	114.54	731,759	-	-89,567	89,261	118,991	850,444	112,957	-2.5%	47.7%	26.8%	
ARCO	Arcos Dorados Holdings Inc	Food	11.06	16,596	91,000	11.61	6.59	192,636	812,941	-	-496,027	90,463	600,013	19,484	-5.0%	-45.1%	-42.7%	
BPT	BP Prudhoe Bay Royalty Trust	Primary	114.13	7,500	7,500	97.92	77.84	734,396	-	-	-274,626	124,021	583,790	70,166	-13.5%	-13.0%	-12.8%	
CDK	CDK Global Inc.	Services	35.09	-	2,750	-	62.54	-	96,510	-	68,284	7,187	171,981	735	1.2%	79.1%	79.1%	
CLX	Clorox Co	Primary	104.97	7,650	5,750	101.54	147.64	776,772	-	-251,096	198,236	125,015	848,927	22,302	2.8%	48.9%	23.6%	
CVX	Chevron Corp	Energy	137.47	5,950	5,950	141.04	140.40	-	817,949	-	-22,302	39,756	835,403	7,238	0.4%	3.0%	3.0%	
CHK	Chesapeake Energy Corp	Energy	17.81	-	45,000	-	18.94	-	801,374	-	29,538	21,301	852,213	-	6.3%	6.3%	6.3%	
FCX	Freeport McMoran C&G	Primary	35.32	20,000	25,000	37.88	25.34	757,536	151,670	-	-381,588	105,992	633,610	27,619	-11.4%	-30.1%	-14.8%	
HYH	Halyard Health Inc.	Healthcare	48.06	-	828	-	65.80	-	39,791	-	13,177	1,516	54,484	-	8.1%	36.9%	36.9%	
JNJ	Johnson & Johnson	Healthcare	106.79	7,575	5,875	112.32	134.55	850,796	-	-225,729	37,811	127,580	790,457	20,936	-0.1%	22.8%	17.1%	
KMB	Kimberly-Clark Corp	Services	121.56	6,625	5,450	126.59	143.25	838,635	-	-173,051	-7,898	123,041	780,727	62,283	-1.2%	21.0%	14.3%	
KRFT	Kraft Foods	Food	64.99	12,455	10,000	64.20	116.51	799,658	-	-190,847	425,279	131,016	1,165,106	27,290	37.6%	87.1%	49.1%	
MRK	Merck & Co Stk	Healthcare	59.94	13,500	10,000	64.53	76.88	871,108	-	-261,745	29,088	130,306	768,758	23,093	-0.7%	22.6%	17.7%	
OAK	Oaktree Capital Management	Financials	64.86	11,250	12,500	66.58	69.09	749,006	73,438	-	-79,355	120,560	863,649	39,166	-2.9%	9.5%	10.0%	
PAYX	Paychex Inc.	Services	47.23	16,000	12,750	49.06	66.36	784,923	-	-199,074	141,678	118,522	846,050	24,104	0.7%	39.1%	24.8%	
TAP	Molson Coors Brewing Co	Food	61.48	13,150	8,000	66.95	99.57	880,355	-	-484,638	261,827	139,032	796,576	17,032	-0.3%	54.2%	33.8%	
PM	Philip Morris Int'l	Tobacco	112.93	7,175	7,175	93.39	100.75	670,069	-	-	-56,076	108,880	722,874	34,751	-8.1%	13.1%	-1.9%	
PG	Procter & Gamble Corp	Consumer Goods	97.42	8,305	6,750	91.94	109.59	763,537	-	-179,813	36,696	119,308	739,729	21,445	-2.6%	22.3%	9.4%	
VIA	Viacom Inc - A	Services	82.99	3,000	3,000	92.83	91.91	-	248,983	-	15,377	11,366	275,726	-	-1.0%	10.7%	10.7%	
VIAB	Viacom Inc - B	Services	83.95	92	1,500	92.46	91.35	-	125,931	-	5,277	5,812	137,020	-	-1.2%	8.8%	8.8%	
US subtotal in \$ooo's		22 shares		ex-rate		0.8675	0.7477	11,176	3,973	-2,628	374	2,016	14,912	582	0.0%	25.1%	14.3%	
United Kingdom																		
BP	BP PLC	Primary	8.91	90,000	100,000	9.30	8.67	836,986	81,196	-	-79,671	28,387	866,898	46,051	-3.8%	-1.4%	2.7%	
BAT	British American Tobacco	Tobacco	68.01	11,920	11,920	64.16	69.25	764,748	-	-	33,520	27,199	825,467	34,643	-10.3%	12.5%	4.5%	
DGE	Diageo	Food	36.12	-	20,500	-	36.91	-	903,108	-179,173	43,550	-10,765	756,720	-	-6.5%	4.0%	4.0%	
GSK	GlaxoSmithkline PLC	Healthcare	32.06	24,605	30,000	31.08	30.69	764,712	151,936	-	-16,221	20,268	920,695	41,814	-2.4%	4.7%	0.2%	
RDSB	Royal Dutch Shell	Primary	42.94	18,875	19,550	44.94	41.67	848,215	119,070	-105,945	-78,315	31,575	814,600	43,936	-6.1%	-1.8%	3.6%	
ULVR	UNILEVER PLC	Consumer Goods	51.53	15,725	14,500	49.12	55.88	772,355	-	-69,408	82,526	24,799	810,273	28,408	-3.8%	17.6%	7.8%	
HSBA	HSBC Holdings	Financials	12.51	64,300	71,500	11.74	11.39	754,654	84,757	-	-51,682	26,980	814,710	36,362	-3.4%	1.5%	-5.0%	
UK subtotal in \$ooo's		7 shares		ex-rate		0.5206	0.5038	4,742	1,340	-355	-66	148	5,809	231	-5.2%	6.9%	4.2%	

31 March 2015

Code	Company	Industry	Average purchase cost	During the year										Returns			
				Holdings		Price NZD		Values			Gain/loss		End Values				Net dividend
				Start	End	Start	End	Start	Buys	Sells	Market movement	Currency		Month	Year	Since Inception	
Europe																	
ABI	Anheuser-Busch InBev	Food	118.83	6,740	5,150	122.25	163.58	823,992	-	-240,899	347,205	-87,880	842,418	19,769	-2.7%	37.1%	26.5%
ADS	Adidas AG	Consumer Goods	92.05	-	8,250	-	105.92	-	966,520	-231,003	237,167	-98,827	873,857	-	2.9%	17.1%	17.1%
DAI	Daimler AG	Services	78.00	7,500	6,600	109.25	128.98	819,405	-	-116,075	238,079	-90,154	851,255	23,102	0.7%	21.8%	33.8%
MUV	Münchener Rück AG	Financials	236.91	3,420	3,100	252.46	288.56	863,414	-	-83,652	201,272	-86,503	894,531	33,649	5.1%	18.7%	14.2%
SAN	Sanofi-Aventis S.A..	Healthcare	136.74	6,045	6,045	121.44	132.14	734,132	-	-	139,590	-74,934	798,788	23,071	2.7%	12.2%	-1.0%
SA	TOTAL S.A	Primary	64.02	11,500	12,375	76.56	66.52	880,389	123,632	-79,005	-16,232	-85,651	823,132	36,483	-4.0%	-8.9%	4.3%
TOD	TOD's SPA	Consume goods	127.82	-	6,250	-	121.46	-	971,405	-183,780	68,773	-97,271	759,127	-	-8.8%	-6.4%	-6.4%
Europe subtotal in \$ooo's			7 shares		ex-rate	0.6300	0.6957	4,121	2,062	-934	1,216	-621	5,843	136	-0.7%	14.4%	14.1%
Other																	
ADVANC:TH	Advanced Info Service	Services	10.42	90,000	87,500	8.03	9.74	723,071	77,385	-115,261	49,667	117,305	852,168	36,266	2.3%	27.5%	-4.8%
ROTH:MK	British American Tobacco MK	Tobacco	24.06	33,700	29,500	21.23	24.79	715,386	-	-112,799	105,346	23,509	731,441	37,363	-0.9%	22.9%	6.1%
LMC:MK	Lafarge Malayan Cement	Primary	4.02	210,000	200,000	3.25	3.56	682,179	-	-39,198	50,327	18,101	711,410	32,973	-3.8%	14.9%	-4.2%
NESZ:MK	Nestle (Malaysia)	Food	26.85	30,200	30,200	23.54	26.61	711,040	-	-	79,469	13,255	803,763	25,865	-1.1%	17.0%	0.9%
NESN	Nestle SA	Food	83.77	9,600	8,250	86.45	101.00	829,915	-	-130,339	93,252	40,402	833,230	17,679	-2.1%	19.4%	12.0%
19.HK	Swire Pacific Ltd	Services	14.70	60,000	50,000	13.37	18.24	802,455	-	-161,659	144,682	126,295	911,773	31,866	0.9%	42.5%	15.6%
ZURN	Zurich Insurance Group AG	Financials	332.54	2,425	2,000	350.62	453.11	850,251	-	-168,684	180,512	44,148	906,226	54,326	7.2%	37.8%	23.0%
CIEL:3	Cielo SA	Financials	16.15	1,000	2,000	36.22	19.14	36,223	658	-	9,623	-8,217	38,287	1,982	-8.1%	9.3%	15.2%
GAB:MK	Guinness Anchor Bhd	Food	6.24	135,000	150,000	4.96	5.13	670,209	76,872	-	11,050	11,058	769,189	35,767	0.8%	8.8%	-8.6%
SCCG:TB	Siam City Cement	Primary	16.08	55,000	49,000	12.30	15.70	676,502	-	-97,974	67,426	123,226	769,180	27,359	-9.4%	31.6%	-9.6%
Other subtotal in \$ooo's			10 shares					6,697	155	-826	791	509	7,327	301	-0.7%	25.1%	4.4%
Overall shares in \$ooo's			61 shares		4,423	5,148		38,701	10,284	-8,699	3,091	1,651	45,028	1,829	-1.5%	16.9%	7.6%
Liquidity in \$ooo's								3,725	1,000	-1,525	-45	83	3,238	55	-0.9%	1.0%	2.0%
Overall asset in \$ooo's								42,426	11,284	-10,225	3,046	1,735	48,266	1,884	-1.4%	15.8%	7.9%

Note: ¹ "Average purchase cost" figures are since inception.

² Cielo SA received bonus shares in April 2014 of \$658.

³ Auckland Airport had a reduction in shares held during April, for which the trust received a capital repayment of \$77,175.

⁴ Mighty River Power shares were sold out during October 2014.

⁵ Pentel Limited shares were consolidated in a ratio of 1:15 during November 2014.

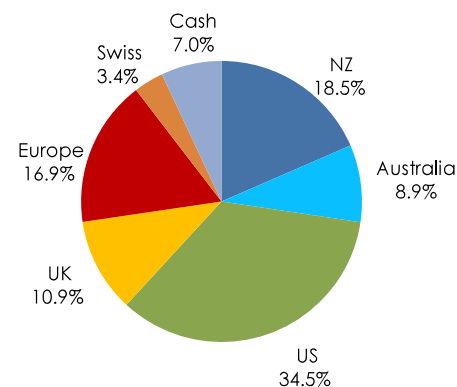
⁶ Halyard Health and CDK Global shares were received as a spin-off from Kimberley - Clark Corp and Automatic Data Processing Inc. respectively.

⁷ Convertible shares in Kiwi Income Property (KIPGC) were converted to Kiwi Property Group (KPG) in a ratio of 1:0.855 in December 2014.

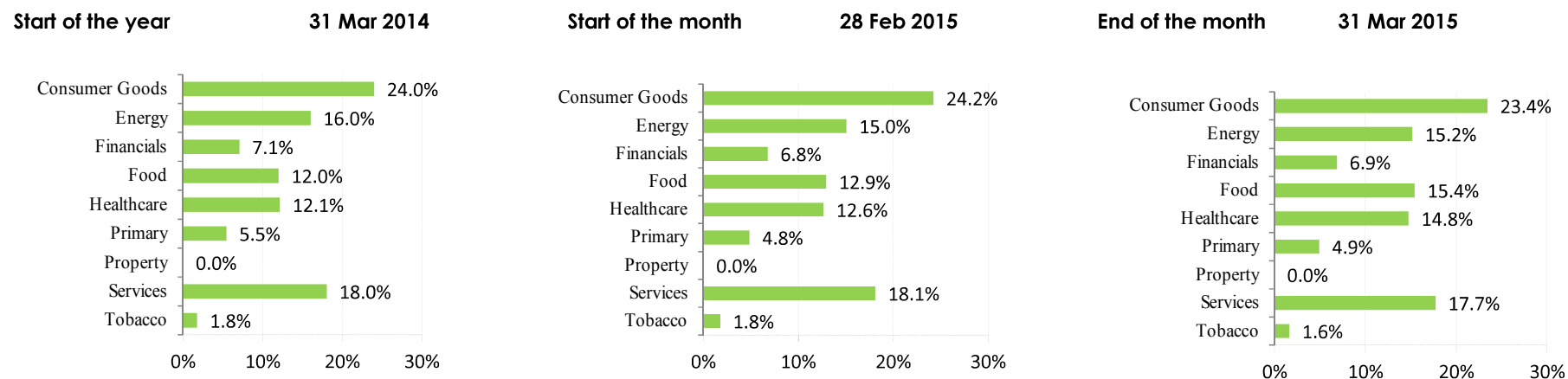
31 March 2015

Geographic split

Country of listing	No. of holdings	\$	%
NZ	11 shares	9,654,500	18.5%
Australia	6 shares	4,638,166	8.9%
US	20 shares	17,999,686	34.5%
UK	7 shares	5,670,058	10.9%
Europe	10 shares	8,819,669	16.9%
Swiss	2 shares	1,794,851	3.4%
Shares	56 shares	48,576,929	93.0%
Cash		3,650,071	7.0%
Total		52,227,001	100.0%



Industry split



Concentration risks:

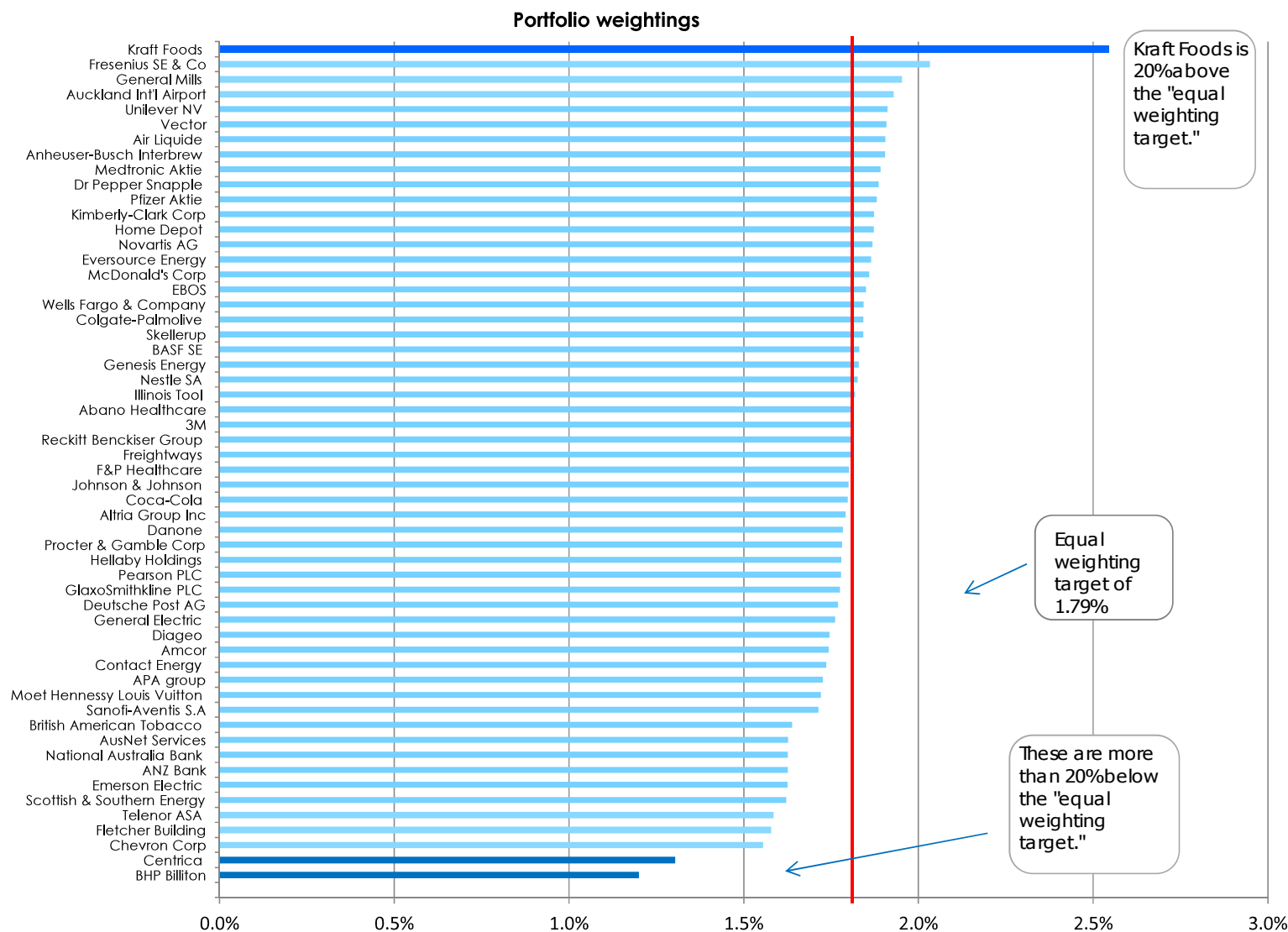
Shares that are 20% or more above the "equal weighting target" of \$932,625

Kraft Foods

Shares that are 20% or less below the "equal weighting target" of \$932,625

BHP Billiton Centrica

31 March 2015



31 March 2015

Manager: Forsyth Barr - Richard Burton

Note: The following table is extracted from the next tables, with figures shown in dollars.

	During the year						
	Values			Gain/loss		Values	
	Start	Buys	Sells	Market	Currency	End	Net dividend
Overall shares	42,357,876	3,224,309	-5,181,433	6,470,201	1,705,977	48,576,929	1,643,371
Liquidity (cash)	612,483	1,000,000	2,041,478	73,398	-77,288	3,650,071	15,659
Overall asset	42,970,359	4,224,309	-3,139,955	6,543,598	1,628,690	52,227,001	1,659,030

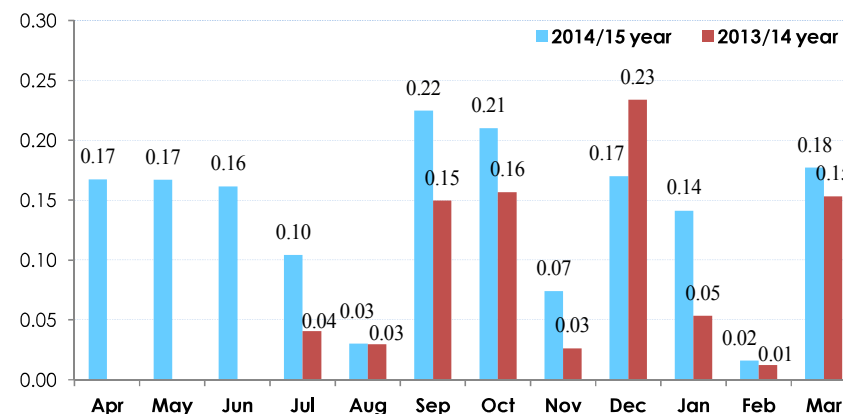
	During the month						
	Values			Gain/loss		Values	
	Start	Buys	Sells	Market	Currency	End	Net dividend
NZ	9,905,041	98,905	-331,467	-17,979	-	9,654,500	35,110
AUST	4,796,977	-	-98,001	5,812	-66,622	4,638,166	45,704
US	18,632,583	-	-733,049	-103,835	203,987	17,999,686	60,655
UK	5,938,978	-	-	-110,015	-158,905	5,670,058	13,987
Europe	8,838,673	-	-	250,758	-269,763	8,819,669	5,782
Swiss	1,833,464	-	-	-24,425	-14,188	1,794,851	15,952
Overall shares	49,945,715	98,905	-1,162,516	318	-305,492	48,576,929	177,191
Liquidity (cash)	2,538,163	-	1,114,512	1,980	-4,583	3,650,071	8,291
Overall asset	52,483,878	98,905	-48,005	2,297	-310,074	52,227,001	185,482

Returns		
Month	Year	Since Inception
0.2%	19.5%	17.9%
-0.3%	16.1%	11.9%
0.9%	32.5%	15.6%
-4.3%	12.9%	3.4%
-0.1%	16.8%	9.6%
-1.2%	30.7%	17.9%
-0.3%	23.0%	13.3%
0.2%	0.0%	0.8%
-0.2%	22.9%	13.3%

Cash holdings

Currencies	Ex rate 28 Feb 15	Start values (local)	End values (local)	Ex rate 31 Mar 15	Currency gain/loss	End values (NZ\$)
New Zealand dollars	1.0000	2,529,680	3,599,164	1.0000	-	3,599,164
Australian dollars	0.9683	998	31,960	0.9820	-1,053	32,547
Swiss Franc	0.7211	-	-0	0.7268	-	-0
Euro	0.6756	-	-	0.6957	-	-
Pound Sterling	0.4901	-	-	0.5038	-	-
US dollars	0.7564	5,636	13,728	0.7477	-3,530	18,361
					-4,583	3,650,071

Year-to-date income (\$m)



31 March 2015

Code	Company	Industry	Average purchase cost	During the year										Returns			
				Holdings		Price NZD		Values			Gain/loss		End Values				Net dividend
				Start	End	Start	End	Start	Buys	Sells	Market movement	Currency		Month	Year	Since Inception	
New Zealand																	
ABA	Abano Healthcare	Services	5.82	123,889	111,646	6.80	7.90	842,445	-	-94,730	134,288	-	882,003	28,801	-1.2%	20.1%	22.7%
AIA	Auckland Int'l Airport	Services	2.97	231,270	208,143	3.87	4.50	895,015	-	-79,326	120,954	-	936,644	14,570	3.4%	17.0%	27.3%
FBU	Fletcher Building	Services	9.05	84,000	91,000	9.63	8.42	808,920	56,751	-	-99,451	-	766,220	30,240	-2.5%	-8.9%	-3.0%
CEN	Contact Energy	Energy	5.07	141,000	141,000	5.32	5.98	750,120	-	-	93,060	-	843,180	36,660	-1.5%	17.5%	15.2%
EBO	EBOS	Consumer goods	8.73	84,692	84,000	10.39	10.70	879,950	65,893	-78,294	31,251	-	898,800	34,582	3.7%	8.4%	17.1%
FPH	F&P Healthcare	Healthcare	3.34	210,000	133,000	4.22	6.58	886,200	-	-404,672	393,612	-	875,140	23,058	-4.1%	59.6%	49.4%
FRE	Freightways	Services	4.34	181,000	140,000	4.81	6.27	870,610	-	-228,032	235,222	-	877,800	36,213	-1.7%	36.0%	25.3%
GNE	Genesis Energy	Energy	1.61	-	396,676	-	2.24	-	795,636	-166,383	259,302	-	888,554	26,157	0.0%	42.7%	42.7%
HBV	Hellaby Holdings	Financials	2.78	252,000	266,000	3.03	3.25	763,560	59,295	-23,928	65,572	-	864,500	39,795	-3.8%	13.1%	14.3%
SKL	Skellerup	Consumer goods	1.36	500,000	630,000	1.77	1.42	885,000	255,994	-78,908	-167,486	-	894,600	44,100	6.0%	-15.1%	10.9%
VCT	Vector	Energy	2.78	314,995	300,993	2.43	3.08	765,438	-	-36,059	197,679	-	927,058	46,952	4.4%	34.3%	9.6%
NZ subtotal in \$ooo's		11 shares				-	-	8,347	1,234	-1,190	1,264	-	9,654	361	0.2%	19.5%	17.9%
Australia																	
AMC	Amcor	Services	11.35	70,000	59,220	11.10	14.30	776,698	-	-150,167	270,018	-49,817	846,732	33,694	3.8%	35.0%	25.7%
ANZ	ANZ Bank	Financials	33.68	21,169	21,169	35.31	37.31	747,381	-	-	78,048	-35,539	789,890	40,281	2.2%	11.6%	11.1%
APA	APA group	Energy	7.13	113,808	91,000	6.87	9.22	781,488	213,769	-435,729	314,788	-35,628	838,688	34,677	-1.3%	47.3%	20.9%
BHP	BHP Billiton	Primary	38.94	19,341	18,431	38.95	31.60	753,275	-	-37,893	-111,350	-21,605	582,427	28,856	-6.8%	-15.3%	-7.0%
NAB	National Australia Bank	Financials	35.31	20,125	20,125	37.87	39.26	762,102	-	-	62,984	-35,006	790,080	42,659	0.3%	9.9%	11.0%
AST	AusNet Services	Energy	1.39	531,564	531,564	1.40	1.49	743,645	-	-	83,184	-36,480	790,349	44,740	-1.7%	12.7%	9.1%
AUST subtotal in \$ooo's		6 shares			ex-rate	0.9364	0.9820	4,565	214	-624	698	-214	4,638	225	-0.3%	16.1%	11.9%

31 March 2015

Code	Company	Industry	Average purchase cost	During the year										Returns				
				Holdings		Price NZD		Values			Gain/loss		End Values				Net dividend	
				Start	End	Start	End	Start	Buys	Sells	Market movement	Currency		Month	Year	Since Inception		
United States																		
MMM	3M	Consumer goods	143.15	4,868	3,997	154.69	220.61	753,024	-	-193,034	191,367	130,421	881,778	18,780	-0.4%	45.5%	29.3%	
MO	Altria Group Inc	Consumer goods	45.70	17,101	13,004	42.79	66.90	731,703	-	-285,140	284,680	138,705	869,948	35,265	-10.1%	62.5%	25.6%	
CVX	Chevron Corp	Energy	153.71	5,200	5,378	136.59	140.40	710,276	27,299	-	-96,760	114,277	755,092	24,272	0.4%	6.1%	-2.9%	
KO	Coca-Cola	Food	51.02	16,100	16,100	44.90	54.23	722,834	-	-	29,976	120,341	873,151	20,254	-5.3%	23.8%	4.3%	
CL	Colgate-Palmolive	Consumer goods	74.33	9,651	9,653	73.89	92.74	713,076	54,463	-65,426	72,300	120,785	895,197	15,228	-1.0%	27.8%	15.3%	
DPS	Dr Pepper Snapple	Food	59.61	12,500	8,729	62.19	104.96	777,333	-	-363,174	359,357	142,697	916,212	20,993	0.5%	71.7%	37.7%	
EMR	Emerson Electric	Consumer goods	72.96	9,800	10,430	76.95	75.73	754,133	48,567	-	-128,712	115,830	789,818	19,594	-0.4%	0.8%	5.0%	
GE	General Electric	Consumer goods	30.42	23,686	25,788	29.83	33.18	706,580	65,989	-	-31,479	114,602	855,691	23,486	-3.4%	14.4%	8.1%	
GIS	General Mills	Food	62.69	11,830	12,530	59.13	75.70	699,532	44,724	-	87,041	117,209	948,506	21,113	6.4%	31.2%	13.5%	
HD	Home Depot	Services	99.46	7,700	5,985	90.74	151.95	698,685	37,188	-308,671	349,087	133,108	909,397	16,216	0.6%	70.4%	27.7%	
HYH	Halyard Health Inc	Healthcare	48.06	-	-	48.06	61.39	-	38,109	-48,154	9,196	850	-	-	0.0%	26.4%	26.4%	
ITW	Illinois Tool	Consumer goods	89.90	7,684	6,799	93.09	129.92	715,302	-	-115,647	162,565	121,095	883,315	14,841	-0.6%	42.2%	24.4%	
JNJ	Johnson & Johnson	Healthcare	110.29	6,500	6,500	112.32	134.55	730,056	-	-	21,086	123,407	874,549	19,502	-0.1%	22.6%	15.4%	
KMB	Kimberly-Clark Corp	Consumer goods	124.85	6,000	6,351	126.59	143.25	759,518	45,718	-	-20,410	124,971	909,798	60,228	-1.2%	20.9%	12.4%	
KRFT	Kraft Foods	Food	69.90	11,000	10,605	64.20	116.51	706,242	48,642	-92,872	443,249	130,335	1,235,595	26,033	37.6%	86.6%	35.2%	
MAT	Mattel Aktie	Consumer goods	53.80	14,700	-	46.05	-	676,924	118,894	-533,938	-346,324	84,445	-	27,470	-12.3%	-32.0%	-27.7%	
MCD	McDonald's Corp	Services	124.55	6,153	6,930	112.09	130.32	689,664	88,379	-	9,092	115,981	903,115	24,066	0.4%	19.6%	4.4%	
MDT	Medtronic Aktie	Healthcare	67.69	10,203	8,806	69.63	104.31	710,464	53,948	-217,978	247,772	124,317	918,523	13,454	1.7%	53.0%	29.8%	
ES	Eversource Energy	Energy	53.46	14,000	13,405	51.81	67.57	725,376	75,365	-137,875	108,240	134,633	905,738	24,865	-0.5%	33.3%	16.9%	
PFE	Pfizer Aktie	Healthcare	36.23	19,287	19,635	36.75	46.53	708,743	131,189	-155,627	107,580	121,720	913,604	24,711	3.4%	31.3%	17.6%	
PG	Procter & Gamble Corp	Consumer goods	100.14	7,700	7,896	91.94	109.59	707,915	69,790	-56,428	19,035	125,005	865,318	21,919	-2.6%	21.7%	6.9%	
WFC	Wells Fargo & Company	Financials	55.60	14,000	12,306	56.82	72.76	795,412	-	-112,625	87,763	124,790	895,341	20,402	1.0%	30.9%	29.1%	
US subtotal in \$ooo's		20 shares		ex-rate		0.8675	0.7477	15,193	948	-2,687	1,966	2,580	18,000	493	0.9%	32.5%	15.6%	

31 March 2015

CodeCompanyIndustry			Average purchase cost	During the year										Returns			
				Holdings		Price NZD		Values			Gain/loss		End Values				Net dividend
				Start	End	Start	End	Start	Buys	Sells	Market movement	Currency		Month	Year	Since Inception	
United Kingdom																	
BATS	British American Tobacco	Tobacco	68.67	11,490	11,490	64.16	69.25	737,161	-	-	32,310	26,218	795,690	33,393	-10.3%	12.5%	2.1%
CNA	Centrica	Energy	7.14	110,600	126,000	6.31	5.02	698,101	98,039	-	-194,029	30,702	632,814	38,899	0.7%	-16.1%	-16.1%
DGE	Diageo	Food	37.78	19,472	22,974	35.89	36.91	698,875	123,687	-	4,743	20,737	848,043	19,766	-6.5%	5.5%	-0.2%
GSK	GlaxoSmithkline PLC	Healthcare	32.34	23,200	28,105	31.08	30.69	721,045	139,420	-	-18,293	20,366	862,538	39,354	-2.4%	4.2%	-1.2%
INDV	Indivior Plc	Healthcare	3.03	-	-	-	-	-	23,107	-26,368	2,931	330	-	-	0.0%	14.1%	14.1%
PSON	Pearson PLC	Services	23.16	35,000	30,000	19.96	28.80	698,521	31,960	-181,821	287,496	27,964	864,119	34,433	-0.6%	50.4%	14.8%
RB	Reckitt Benckiser Group	Consumer goods	92.20	8,200	7,636	94.70	115.14	776,527	-	-58,172	134,517	26,310	879,182	45,771	-3.7%	28.7%	16.4%
SSE	Scottish & Southern Energy	Energy	29.99	26,488	26,488	29.02	29.74	768,793	-	-	-7,453	26,333	787,673	47,386	-5.8%	8.6%	5.2%
UK subtotal in \$ooo's			7 shares		ex-rate	0.5206	0.5038	5,099	416	-266	242	179	5,670	259	-4.3%	12.9%	3.4%

Europe																	
AI	Air Liquide	Primary	150.28	4,627	5,375	157.35	172.20	728,055	56,661	-	248,058	-107,196	925,579	26,279	-0.8%	22.5%	9.6%
ABI	Anheuser-Busch Interbrew	Food	119.30	6,000	5,656	122.25	163.58	733,524	37,998	-102,683	357,819	-101,471	925,187	17,939	-2.7%	36.2%	21.3%
BAS	BASF SE	Primary	121.09	6,400	6,686	127.63	133.03	816,863	34,771	-	124,000	-86,186	889,448	20,402	4.9%	6.8%	5.3%
BN	Danone	Food	93.20	9,275	9,625	82.38	90.01	764,083	29,841	-	161,449	-89,026	866,347	14,718	-1.6%	11.3%	-2.1%
DPW	Deutsche Post AG	Services	33.35	20,557	20,557	43.72	41.82	898,798	-	-	52,523	-91,602	859,718	26,372	-7.1%	-1.5%	15.7%
FRE	Fresenius SE & Co	Healthcare	52.76	4,700	12,350	180.48	79.91	848,238	-	-125,606	365,659	-101,463	986,828	6,936	5.5%	32.7%	25.1%
HMI	Hermes International	Consumer goods	540.06	-	-	-	-	-	92,891	-73,827	-18,776	-288	-	-	0.0%	-20.5%	-20.5%
MC	Moet Hennessy Louis Vuitton	Consumer goods	218.45	3,262	3,542	212.06	235.95	691,751	58,212	-	173,055	-87,285	835,733	85,206	-1.5%	24.4%	10.9%
SAN	Sanofi-Aventis S.A	Healthcare	133.86	6,300	6,300	121.44	132.14	765,100	-	-	145,464	-78,080	832,484	20,028	2.7%	11.6%	-0.8%
TEL	Telenor ASA	Services	26.31	28,462	28,462	25.58	27.04	728,053	-	-	127,799	-86,277	769,575	32,547	1.9%	10.3%	4.0%
UNA	Unilever NV	Consumer goods	51.02	15,204	16,604	47.63	55.94	724,121	69,355	-	229,526	-94,233	928,769	23,739	-1.7%	20.8%	7.0%
Europe subtotal in \$ooo's				ex-rate		0.6300	0.6957	7,699	380	-302	1,967	-923	8,820	274	-0.1%	16.8%	9.6%

31 March 2015

Code	Company	Industry	Average purchase cost	During the year										Returns						
				Holdings		Price NZD		Values			Gain/loss		End Values				Net dividend			
				Start	End	Start	End	Start	Buys	Sells	Market movement	Currency		Month	Year	Since Inception				
Swiss																				
NESN	Nestle SA	Food	84.97	8,430	8,785	86.45	101.00	728,769	32,767	-	85,539	40,189	887,264	15,525	-2.1%	19.2%	11.2%			
NOVN	Novartis AG	Healthcare	96.86	7,700	6,860	94.40	132.30	726,860	-	-112,248	248,486	44,490	907,587	15,952	-0.4%	42.5%	34.3%			
Swiss subtotal in \$ooo's			2 shares		ex-rate	0.7675	0.7268	1,456	33	-112	334	85	1,795	31	-1.2%	30.7%	17.9%			
Overall shares in \$ooo's								56 shares			42,358	3,224	-5,181	6,470	1,706	48,577	1,643	-0.3%	23.0%	13.3%
Liquidity in \$ooo's											612	1,000	2,041	73	-77	3,650	16	0.2%	0.0%	0.8%
Overall asset in \$ooo's											42,970	4,224	-3,140	6,544	1,629	52,227	1,659	-0.2%	22.9%	13.3%

Note: ¹ "Average purchase cost" figures are for since inception period.

² Air Liquide received 462 shares from a 1:10 bonus issue in June 2014.

³ Fresenius received 9,400 shares from a 3:1 share split in August 2014.

⁴ Indivior shares were received as 1:1 spin-off from Reckitt Benckiser in December 2014.

⁵ Hermes International shares were received as 2:41 spinoff from LVMH in January 2015.

⁶ Shares in Indivior, CDK Global and Hermes International were sold out in February 2015.

⁷ Shares in Mattel Aktie were sold out in March 2015.

31 March 2015

Technical notes

This page sets out details of key investment managers and details of the market benchmarks used.

	Appointment date	Current management
Overall	Apr 1997	
Private equity	Jun 2013	Pioneer Capital Partners.
Listed shares	May 2013	Elevation Capital & Forsyth Barr listed shares.
OS bonds	May 2013	Pimco.
NZ bonds	Nov 2002	Self-managed through Forsyth Barr Esam Cushing.
OS shares FX hedging	Apr 2000	BNZ.
NZ shares	Jul 1999	Forsyth Barr.
Cash	Apr 1997	Self-managed.
Market sector returns are calculated based on the general market movement applicable to a non-taxpayer.		

Market indices:	
Total shares	MSCI world net div (50% hedged).
Elevation Capital / Forsyth Barr listed shares	MSCI world net div (currency unhedged).
Shares	MSCI world net div.
Currency hedging	50% of currency movement.
NZ bonds - self-managed	ANZ Corp A grade index.
OS bonds hedged - Pimco	30% Citigroup World Govt Bond Index hedged and 70% Citigroup World Corp Bond Index hedged.
Self-managed - cash	NZX call rate.

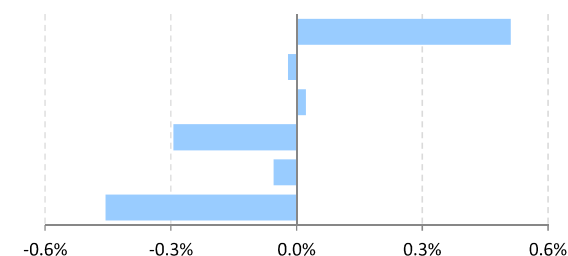
31 March 2015

Environment and market statistics

90-day bank bill rates

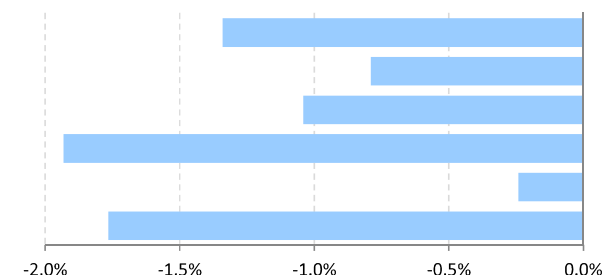
	Start of year 1 Apr 2014	Start of period 1 Mar 2015	End of period 31 Mar 2015	Movement	
				Month	Year
NZ	3.1%	3.6%	3.6%	0.0%	0.5%
US	0.1%	0.0%	0.0%	0.0%	(0.0%)
UK	0.4%	0.4%	0.4%	0.0%	0.0%
Euro	0.3%	0.0%	0.0%	(0.0%)	(0.3%)
Japan	0.1%	0.0%	0.0%	(0.0%)	(0.1%)
Australia	2.7%	2.3%	2.2%	(0.1%)	(0.5%)

Year-to-date (change)



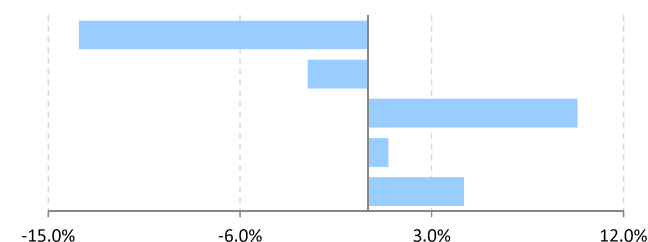
10 year government bond yields

	Start of year 1 Apr 2014	Start of period 1 Mar 2015	End of period 31 Mar 2015	Movement	
				Month	Year
NZ	4.6%	3.3%	3.2%	(0.1%)	(1.3%)
US	2.7%	2.0%	1.9%	(0.1%)	(0.8%)
UK	2.7%	1.7%	1.7%	0.0%	(1.0%)
Euro	2.9%	1.2%	1.0%	(0.3%)	(1.9%)
Japan	0.6%	0.3%	0.4%	0.1%	(0.2%)
Australia	4.1%	2.5%	2.3%	(0.1%)	(1.8%)



Exchange rates

	Start of year 1 Apr 2014	Start of period 1 Mar 2015	End of period 31 Mar 2015	Movement	
				Month	Year
US	0.8664	0.7531	0.7490	(0.5%)	(13.6%)
UK	0.5206	0.4888	0.5059	3.5%	(2.8%)
Euro	0.6299	0.6725	0.6918	2.9%	9.8%
Yen	89.15	89.90	89.99	0.1%	0.9%
Australia	0.9364	0.9655	0.9785	1.3%	4.5%



Environment and market statistics

Sharemarket returns (local currency)

	Month	Year	Last 12 months	Last 3 years (p.a.)	Last 5 years (p.a.)
US (S&P 500)	(1.7%)	10.4%	10.4%	13.7%	12.1%
Japan (Nikkei 225)	2.2%	29.5%	29.5%	24.0%	11.6%
UK (FTSE 100)	(2.5%)	2.6%	2.6%	5.5%	3.6%
Germany (DAX)	5.0%	25.2%	25.2%	19.9%	14.2%
France (CAC 40)	1.7%	14.6%	14.6%	13.7%	4.8%
Australia (ASX 200)	(0.1%)	14.1%	14.1%	15.8%	8.6%
NZ (NZX 50)	(0.8%)	13.5%	13.5%	18.5%	12.3%
MSCI Net div 50% hedged	(0.4%)	20.3%	20.3%	16.9%	11.4%

Note:

1. Year-to-date is the period since 1 April 2014.
2. The exchange rates are those on the Reserve Bank website. These are generally updated at 11am each day. The actual exchange rates for the hedging contracts will be the bank's close of business rates, which will be a different exchange rate. The movement in rates from 11am to 11am may be materially different from close of business to close of business.

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Report type:	Executive Decisions
Recommendation:	The Executive approves/declines the recommendations of the Donations Assessors as outlined below.
Agenda item no:	9
Subject:	Discretionary Donations
Responsible for the report:	General Manager & Donations Assessors

Purpose of report:	To inform and seek the Executive's approval/decline of donations.
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Approvals

No approvals.

Declines

No declines.

Jonathan Bell
General Manager
April 24th 2015

Report type:	Executive/Board Information Papers
Recommendation:	The Executive reviews the Hedging Reports as provided by Michael Chamberlain Associates and the General Manager
Agenda item no:	10
Subject:	Hedging Reports
Responsible for the report:	General Manager

Purpose of report:	To be informed of matters pertaining to the Trusts current hedging exposure to allow an action plan to be developed for hedging contract rollovers.
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The hedging position for March 31st 2015 is attached for your information.

Eastern & Central Community Trust

In the following table Bank of New Zealand sets out the mark to market value[s] of the transaction[s] stipulated in the request from the Customer on the bases set out in that request

Market Value Date

Tuesday, 31 March 2015

External Deal Ref	Cust Buy Ccy	Cust Buy Amount	Cust Sell Ccy	Cust Sell Amount	Deal Rate	Maturity Date	Reval Rate	MTM Value (NZD)	Spot Rate
CB156351	NZD	8,500,000.00	EUR	5,485,985.00	0.645410	11-May-15	0.689530	541,726.29	0.692630
CB156352	NZD	5,800,000.00	GBP	2,794,034.00	0.481730	11-May-15	0.504651	262,385.35	0.506520
Total								804,111.64	

Note: Where a 3rd Currency Contract exists the Cust Deal Ref will appear twice. The first valuation is for the Cust Buy Currency, and the second, is for the Cust Sell Currency.

E&CCT HEDGING CONTRACTS OPENING REPORT

as at 31st March 2015

Rollover Date: 8th May 2015

CURRENCY Country	Amount Hedged \$NZ	Value of Overseas Exposure in \$NZ 31/03/2015	Hedged % Target %	Trade Date	Deal Rate	Revaluation Rate 31/03/2015	Rollover Date	Balance \$NZ
Thailand Malaysia USA HongKong Brazil	0	1,621,348 3,015,803 32,911,209 911,773 41,641	0.00% 50%	9/02/2015	0.73130	0.75004	8/05/2015	0.00
All European Countries (incl Swiss)	8,500,000	16,402,233	51.82% 50%	9/02/2015	0.64510	0.68953	8/05/2015	547,699.16
UK	5,800,000	11,479,420	50.53% 50%	9/02/2015	0.48173	0.50465	8/05/2015	263,433.14
Japan	0	0	0% 50%	n/a	n/a	n/a	n/a	0.00
Pimco Bonds (Hedged)	0	15,493,498	0.00% 0%	n/a	n/a	0.92363	n/a	0.00
Australia	0	12,636,889	0.00% 0%	n/a	0.92363	0.92212	n/a	0.00

TOTAL (Incl Bonds)	\$14,300,000	\$94,513,814					Current Balance	\$811,132.30
EQUITIES ONLY	\$14,300,000	\$79,020,316	18.10%					
Excluding Australia	\$14,300,000	\$66,383,427	21.54%					

Hedging to be increased when exposure falls 5% below the target exposure.

General Manager is empowered to adjust the hedging levels at rollover to the defined tactical targets as set by the Trustees.

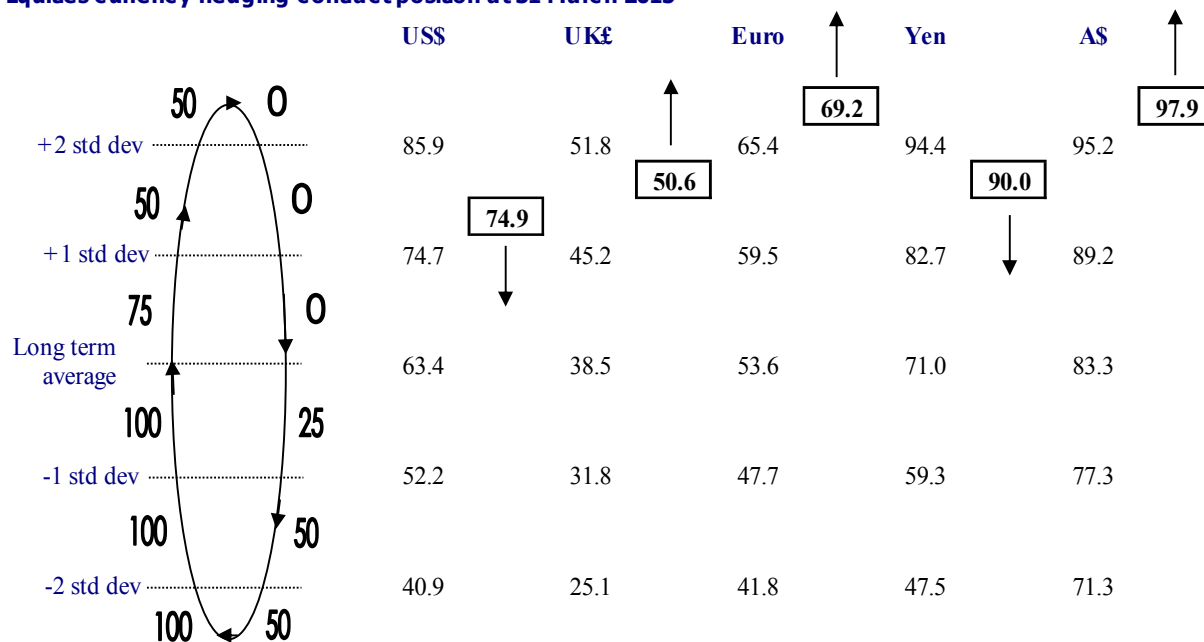
USD used to hedge the currencies of USA, Thailand, Malaysia, Hong Kong & Brazil (other).

Euro used to hedge the Euro and the Swiss franc.

J Bell
31/03/2015

Eastern & Central Community Trust

Equities currency hedging contract position at 31 March 2015



	US\$	UK£	Euro	Yen	A\$
Current exchange rate	0.7490	0.5059	0.6918	89.99	0.9785
Policy position (from the above graph)	0%	50%	50%	0%	50%
Current position	0%	50%	50%	0%	0%

Exposure as at 28 February 2015

Forsyth Barr	18.63	5.94	10.67		4.80
Elevation Capital	20.10	6.14	7.91		8.41
Total	38.73	12.08	18.58		13.21

Target cover at 31 Mar 15 (\$m)	0.0	6.0	9.3	0.0	6.6
Current contract cover		5.800	8.500		
Strike rate purchased		0.4817	0.6454		
Target minus current contract cover =	0.0	0.2	0.8	0.0	6.6

Contract surplus (deficit) (\$m) \$0.00 \$0.29 \$0.61 \$0.00 \$0.00

Total current contract surplus (deficit) = 901,957.87

Historical hedging actions

31 Mar 2015 - 50% hedged to Euro and UKP; 0% hedged to US\$, A UD and Yen; maturity 11 May 2015.

9 Feb 2015 - 50% hedged to Euro, UKP and US\$; 0% hedged to A UD and Yen; maturity 11 May 2015.

7 Nov 2014 - 50% hedged to Euro, UKP and US\$; 0% hedged to A UD and Yen; maturity 9 Feb 2015.

Notes

USD is used to hedge the currencies of USA, Brazil, Thailand, Malaysia & Hong Kong. Euro is used to hedge the Euro, Norwegian and Swiss currencies.

The hedging contract for overseas bonds is excluded from this report.

Exchange rates: current and relative levels

31 March 2015

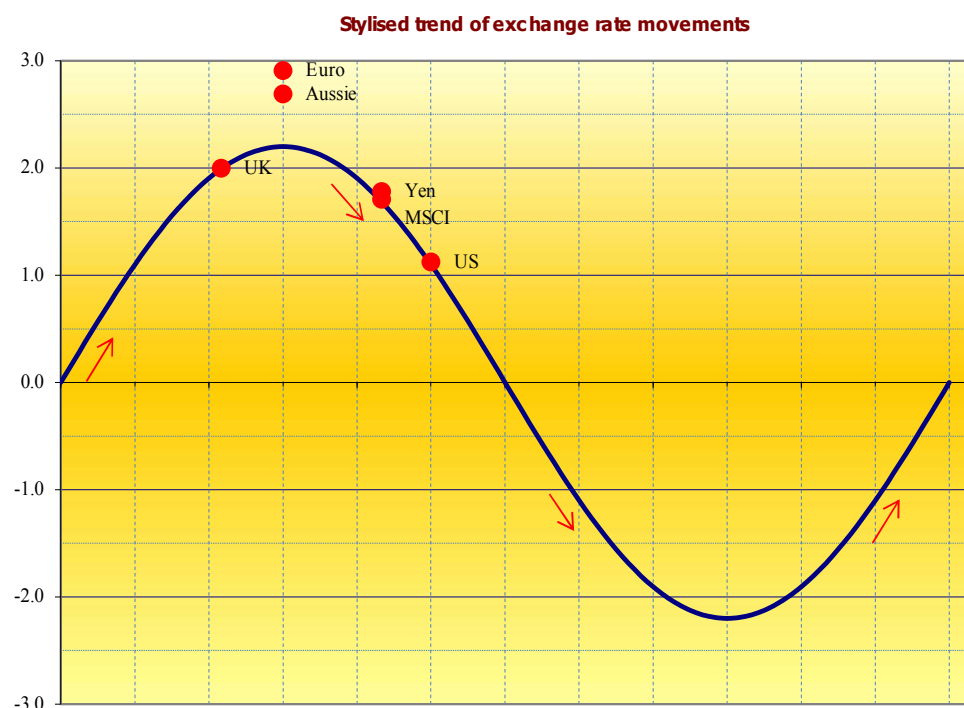
The data and graphs in these pages are from a NZ dollar perspective.

	US	UK	Aussie	Yen	Euro	China	MSCIweighted
Current level	0.7490	0.5059	0.9785	89.9900	0.6918	4.6487	0.6645
Six months ago	0.7767	0.4782	0.8910	85.0100	0.6121	4.7764	0.6661
1-month average trend	down	up	up	down	up	down	up
3-month average trend	down	up	up	down	up	down	down
6-month average trend	down	up	up	up	up	down	down
1-year average trend	down	down	up	up	up	down	down

Historical statistics (post 1986)

+2 standard deviations	0.8590	0.5181	0.9519	94.4583	0.6539	6.2082	0.6980
+1 standard deviations	0.7465	0.4513	0.8922	82.7277	0.5950	5.5079	0.6229
Average	0.6341	0.3846	0.8326	70.9971	0.5361	4.8075	0.5478
-1 standard deviations	0.5216	0.3178	0.7729	59.2664	0.4772	4.1072	0.4727
-2 standard deviations	0.4092	0.2510	0.7132	47.5358	0.4184	3.4068	0.3977

In the stylised trend graph, the level of the exchange rate is plotted relative to the average since 1986. The trend is the moving three month average. 1986 was when the NZ dollar floated.

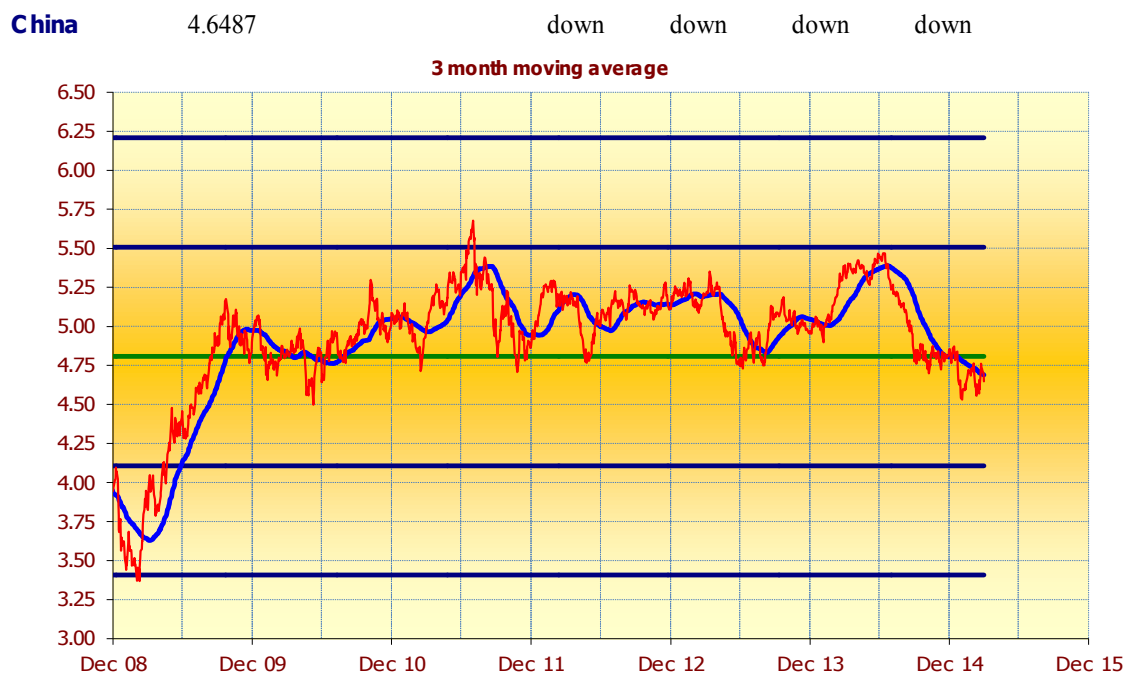


Note: the movement of the exchange rate does not follow a perfect cycle and may not cycle. It can be observed to fluctuate around an "average" and by mathematical definition will fall within plus or minus one standard deviation 68% of the time.

Currency trends

Exchange rates: current and relative levels

The graphs below plot the NZ dollar and the 3 month trend in the NZ dollar from 31 December 2006 to 31 March 2015, against the long-term average and standard deviations since 1986.



Currency trends

Exchange rates: current and relative levels

The graphs below plot the NZ dollar and the 3 month trend in the NZ dollar from 31 December 2006 to 31 March 2015, against the long-term average and standard deviations since 1986.

UK

0.5059

down

up

up

up

3 month moving average



Euro

0.6918

up

up

up

up

3 month moving average



Currency trends

Exchange rates: current and relative levels

The graphs below plot the NZ dollar and the 3 month trend in the NZ dollar from 31 December 2006 to 31 March 2015, against the long-term average and standard deviations since 1986.

Australia

0.9785

up

up

up

up

3 month moving average



Japan

89.9900

up

up

down

down

3 month moving average



Currency trends

Exchange rates: current and relative levels

The graphs below plot the NZ dollar and the 3 month trend in the NZ dollar from 31 December 2006 to 31 March 2015, against the long-term average and standard deviations since 1986.

Canada

0.9499

down

up

up

up



Singapore

1.0308

down

up

up

up



Currency trends

Exchange rates: current and relative levels

The graphs below plot the NZ dollar and the 3 month trend in the NZ dollar from 31 December 2006 to 31 March 2015, against the long-term average and standard deviations since 1986.

MSCI

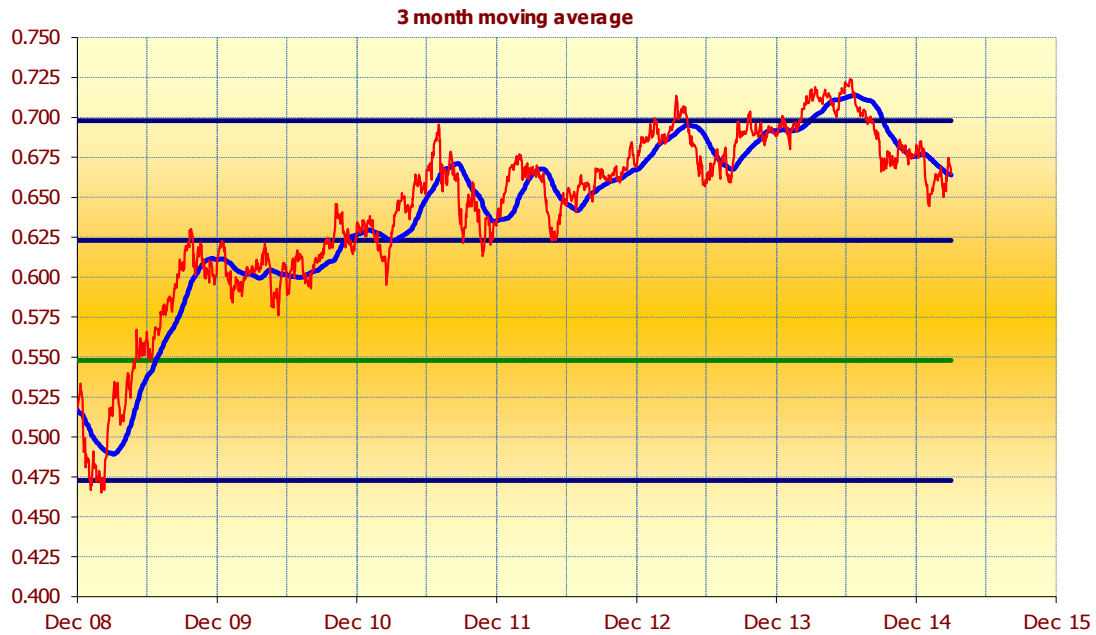
0.6645

down

down

down

up



TwI

0.7833

down

up

down

up



Report type:	Executive/Board Information Papers
Recommendation:	The Executive reviews the various investment commentaries and market reviews as provided by the General Manager
Agenda item no:	11
Subject:	Investment Commentaries & Market Reviews
Responsible for the report:	General Manager

Purpose of report:	To be informed of matters pertaining to investments and recent performance of investment markets
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Monthly Market Review 31 March 2015



	Month End	Percentage Performance			Year to Date since:	
	Index	Month	3 Months	12 Months	31 Dec 2014	31 Mar 2014
NZ Indexes						
NZX50 Gross	5,833.99	-0.76%	4.77%	13.50%	4.77%	13.50%
NZX50 Gross with Imputation Credits	6,727.68	-0.36%	5.19%	15.17%	5.19%	15.17%
NZX10 Gross	5,822.51	-0.84%	3.40%	5.79%	3.40%	5.79%
NZSX Small Companies (Gross) Index	36,361.61	-1.47%	1.37%	7.50%	1.37%	7.50%
NZSX Small Companies (Gross) Index w Imps	40,951.14	-1.24%	1.63%	8.99%	1.63%	8.99%
NZX Property Sector (Gross) Index	3,929.39	0.43%	4.86%	28.61%	4.86%	28.61%

Australian Indexes

All Ordinaries Accumulation (NZD)	51,697.28	-1.54%	7.23%	8.01%	7.23%	8.01%
S&P/ASX 200 Accumulation (AUD)	52,006.71	-0.06%	10.33%	14.13%	10.33%	14.13%

Other Indexes (in stated currency)

MSCI World (NZD) with net divs	6,200.81	-0.67%	6.64%	22.69%	6.64%	22.69%
MSCI World Price Index (NZD)	2,321.39	-0.91%	6.13%	20.34%	6.13%	20.34%
MSCI World (NZD) with net divs 50% Hedged	904.66	-0.41%	6.20%	20.26%	6.20%	20.26%
MSCI World (NZD) with net divs 100% Hedged	1,259.82	-0.16%	5.61%	17.58%	5.61%	17.58%
MSCI Emerging Mkts (Local) with net divs	457.58	0.14%	4.90%	10.92%	4.90%	10.92%
S&P 500 (USD)	2,067.89	-1.74%	0.44%	10.44%	0.44%	10.44%
DJIA (USD)	17,776.12	-1.97%	-0.26%	8.01%	-0.26%	8.01%
Nasdaq (USD)	4,900.89	-1.26%	3.48%	16.72%	3.48%	16.72%
Nikkei 225 (JPY)	19,206.99	2.18%	10.06%	29.53%	10.06%	29.53%
FTSE 100 (GBP)	6,773.04	-2.50%	3.15%	2.65%	3.15%	2.65%
DAX (EUR)	11,966.17	4.95%	22.03%	25.22%	22.03%	25.22%
CAC 40 (EUR)	5,033.64	1.66%	17.81%	14.62%	17.81%	14.62%

Other Sectors

NZX NZ Government Stock	1,491.79	0.61%	2.73%	9.38%	2.73%	9.38%
NZX Corporate A Grade	4,519.63	0.53%	2.13%	8.12%	2.13%	8.12%
Barclays Global Agg Index Hedged to NZD	347.01	0.91%	2.98%	11.43%	2.98%	11.43%
Citigroup WGBI Hedged to NZD	2,910.89	1.06%	3.12%	12.24%	3.12%	12.24%
Citigroup WGBI Unhedged (NZD)	557.73	-0.21%	1.61%	9.36%	1.61%	9.36%
NZX NZ 90 Day Bank Bill	656.49	0.31%	0.91%	3.58%	0.91%	3.58%
UBS Global Real Estate Investors TR Hedged	3,666.02	0.79%	7.24%	30.17%	7.24%	30.17%
West Texas Intermediate Crude Oil (USD)	47.60	-4.34%	-10.64%	-53.14%	-10.64%	-53.14%
Brent Crude Oil (USD)	53.34	-13.70%	-4.34%	-50.14%	-4.34%	-50.14%
Gold (USD)	1,183.68	-2.43%	-0.10%	-7.81%	-0.10%	-7.81%

Foreign Exchange (NZD)

AUD	0.9816	1.53%	2.78%	4.85%	2.78%	4.85%
EUR	0.6982	3.49%	8.10%	10.90%	8.10%	10.90%
GBP	0.5052	3.16%	0.78%	-2.95%	0.78%	-2.95%
JPY	89.9318	-0.59%	-4.03%	0.63%	-4.03%	0.63%
CNY	4.6535	-2.19%	-4.25%		-4.25%	
USD	0.7499	-0.91%	-4.06%	-13.58%	-4.06%	-13.58%

New Zealand Yields

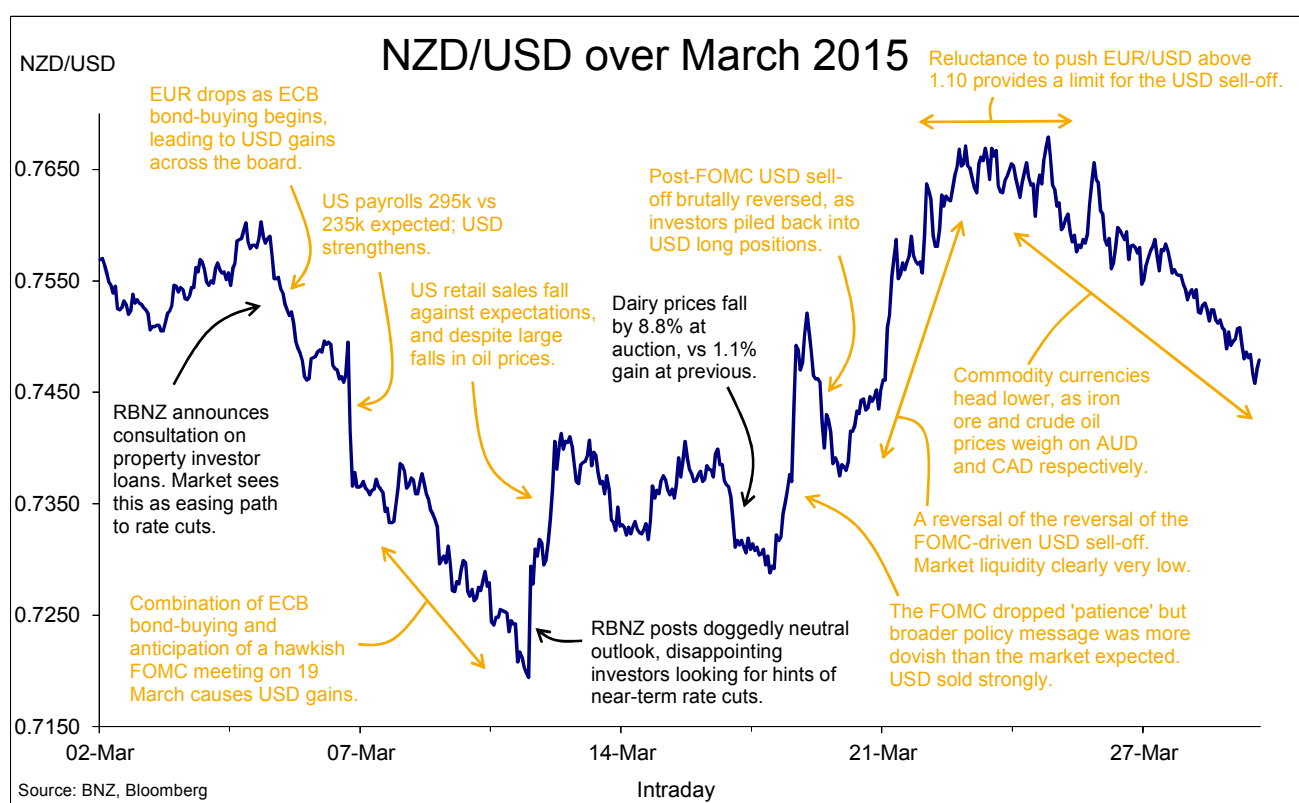
90 Day Bank Bill	3 year Government Bond	10 year Govt Bond (15/4/27)
3.63%	3.10%	3.32%

Nikko Asset Management New Zealand Limited manages NZ\$4.0 billion on behalf of a diverse group of clients, including charitable trusts, superannuation schemes, local government authorities, KiwiSaver scheme providers, private banks, financial advisers and intermediaries. We offer expertise in management of domestic assets (equities, fixed interest and cash) as well as global sectors (equities, fixed interest and alternative investments).

April 2015

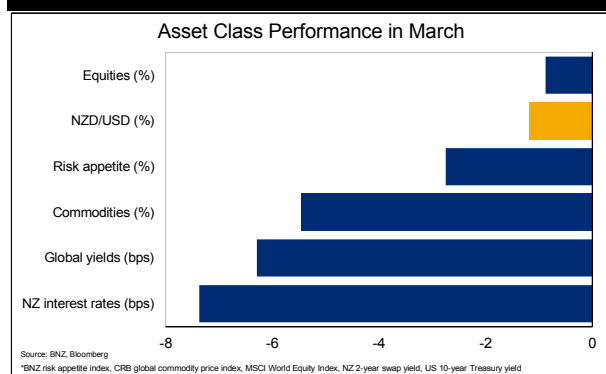
March Madness

- Commencement of ECB bond purchases and a hotly anticipated FOMC meeting were highlights in a wild month.
- The USD sell-off after the FOMC meeting saw some of the most violent FX moves since the Financial Crisis.
- A slump in iron ore prices shorten the odds on an RBA cut in April; the RBNZ sticks to a doggedly neutral outlook.



Quick Outlook		March
NZD/USD	The Fed seems set to raise rates in June or September, and this will keep the USD on the ascendancy through 2015. This should be enough to keep NZD/USD on a downward path to 0.70 by year-end, despite still-strong domestic data.	0.7192 – 0.7697
NZD/AUD	We expect the cross to remain very high as the prospect of further RBA rate cuts remains front of mind. The risk of hitting parity will be most acute in this quarter, but should dissipate as the year wears on. We still pick 0.95 by end-2015.	0.9495 – 0.9845
NZD/GBP	Markets are starting to tune into the prospect of a tight UK General Election, which is causing GBP to underperform. The cross should remain supported around 0.50.	0.4799 – 0.5161
NZD/EUR	EUR has recovered from early March's sudden collapse, but the looming Greek cash crunch poses a threat. We pick EUR/USD parity by end-June, and NZD/EUR to 0.72.	0.6702 – 0.7076
NZD/JPY	Unless the BoJ eases further in April (not our view or consensus), JPY should perform better than its peers against the USD. We see NZD/JPY at 86 at end-2015.	87.31 – 91.91
90-day bank bill	We anticipate a 3.60% to 3.66% range will continue to hold. The low-side is more vulnerable than high-side as the market remains inclined to price rate RBNZ cuts.	3.62% - 3.65%

Bond Yields Depressed By ECB Bond Purchases



ECB bond purchases and FOMC meeting dominate asset markets

The big market moves through March can be laid squarely at the feet of the ECB's commencement of bond purchases (announced in January), and the March FOMC policy decision (anticipation and aftermath). For bond yields, the former had a depressing impact. The prospect of a hawkish FOMC in March (ultimately incorrect) provided brief respite, but US 10-year bond yields slid 6bps for the month. Equities were similarly torn between the tailwind of more liquidity in the global economy (positive) and the outlook of higher US interest rates (negative). For currencies, the two forces were complementary boosts for the USD, which rose strongly, especially against the EUR. Commodity prices wilted in the face of USD strength, as they tend to do.

European bond yields and EUR plunge to new depths

The price action in asset markets as the ECB commenced bond purchases was surprising, to say the least. In theory, most (if not all) the impact of quantitative easing should take place on announcement of the plan, provided that full information is given. As one would expect, European bond yields and EUR/USD fell in the anticipation and confirmation of ECB QE in January. But clearly markets were unprepared for the implementation. In the three sessions from commencement on 9 March, 10-year German government bond yields fell 19bps to 0.20%. EUR/USD dropped by 7% (from 1.1250 to 1.0460) in the first half of March, to its lowest level since 2003. Yields on core European bonds with durations out to (roughly) 7 years went into negative territory.

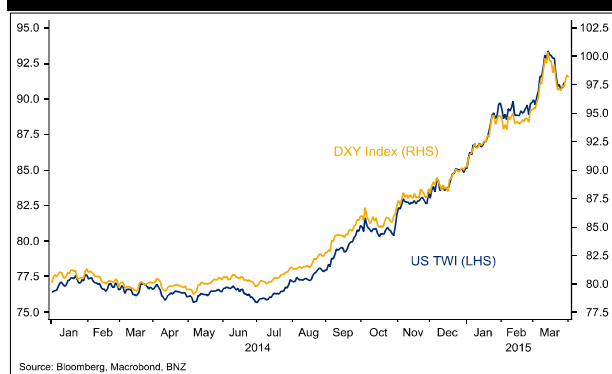
FOMC meeting in sharp focus; 'patience' dropped...

The FOMC's 18 March meeting was highly anticipated. As discussed in the previous edition of this note, we (and the market) expected Fed Chair Yellen to drop a reference to the FOMC being 'patient' with respect to rate hikes. That would unshackle the Fed, allowing it to move rates at any subsequent meeting. Expectations of a relatively hawkish stance saw increased bets on USD appreciation and higher US interest rates. The broad USD uptrend, which has been in place since July 2014, noticeably accelerated in the first half of March. As it happened, the word 'patience' was indeed dropped from the policy statement.

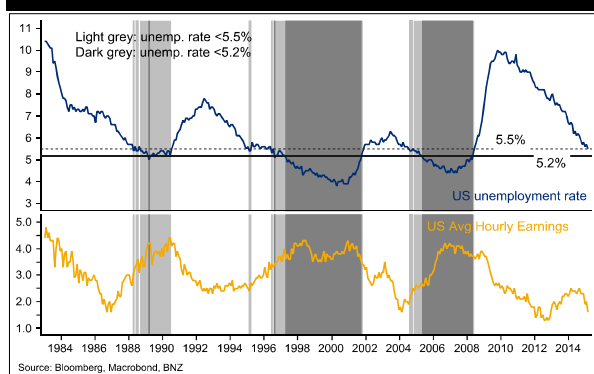
...but other aspects more dovish than anticipated...

However, other aspects of the FOMC's missive were much more dovish than anticipated. Inflation and growth forecasts were revised downward. The median 'dot point' forecast of FOMC members for the Fed Funds Rate at the ends of 2015 and 2016 were lowered dramatically. There was a pointed reference to a strong USD causing some weakness in net exports. For us, the most important change was the lowering of the Fed's central estimate of the long-term unemployment rate. That the Fed shifted down its estimated range, from 5.2%-5.5% to 5.0%-5.2%, is a concession that the unemployment rate can fall further without stoking significant inflation pressure.

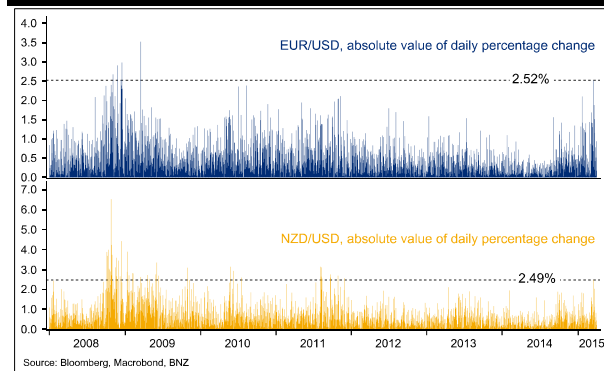
US Dollar Rally Accelerate Through Early March



The Fed Shifts The Goal Posts On Unemployment Rate



FOMC Sees Wildest FX Moves Since The GFC



...creating huge volatility in an illiquid market

For a speculative community that had positioned itself for a hawkish outcome, this was devastating. The intraday moves were amongst the largest seen since the Global Financial Crisis. In fact, EUR/USD, the world's most liquid currency pair, had not seen a daily move as large (+2.5%) since the 2009. Even during the GFC, there were only four days when a larger move occurred. NZD/USD, which is inherently a more volatile currency pair, has not seen such large moves since the worst of the Greek debt crisis. This was no doubt exacerbated by the liquidity constraints created by increased regulation and reduced participation in FX markets by some of the world's biggest investment banks.

Speculation of April RBA cut grows on slumping iron ore prices

When the RBA cut its policy rate in February, most analysts anticipated at least one more as a quick follow-up. Our NAB colleagues marked a subsequent cut in May. Since then, the RBA held fire in March, but the odds on an April cut as opposed to May shortened considerably. The RBA made clear in minutes of both the February and March meetings that there is scope for further easing, but there was no sign of urgency. What has changed since then is the precipitous slide in the price of iron ore, Australia's major export. Prices had appeared to be finding a base in the low \$60 range in February, but have since fallen nearly 20% to \$51. As a result, interest rate market odds for a rate cut in April grew from 35% in mid-March to 74% by 31 March. This was a primary factor in renewed AUD weakness, which pushed NZD/AUD to fresh post-float highs above 0.98.

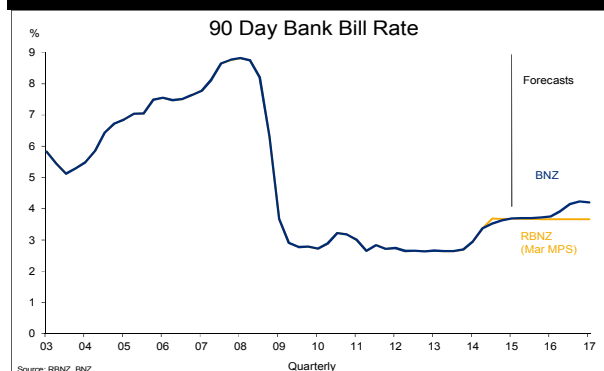
RBNZ stays doggedly neutral, giving no sign of bias

Locally, investors positioned themselves for the RBNZ to show signs of an easing bias at the 12 March Monetary Policy Statement. Instead, the RBNZ presented a patient, neutral stance. Perhaps the best reflection of this was the 90-day bank bill track, its own expectation of the policy path. The Bank set this to dead flat for the next three years. It took the unusual step of shortening its published forecast horizon, to avoid showing (we assume) a mean-reverting uptick in the rate track in 2018. In his press conference, Governor Wheeler dodged any and all attempts to pin him into revealing a bias in either direction. For a market that was expecting at least some dovish leanings to shine through, it was disappointing. NZD/USD gained, and short-end swap yields sold off.

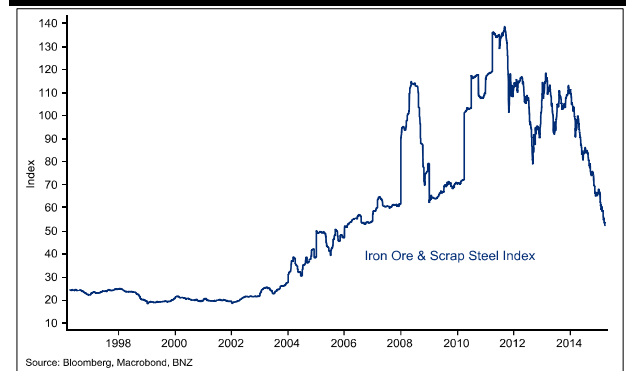
Falling inflation expectations may see further cuts priced in

Inflation expectations are one factor that could push the RBNZ into the policy easing camp. The Bank went so far as to present an alternate scenario, whereby a continued decline in inflation expectations might mandate rate cuts. The RBNZ's own survey saw a sharp decline in Q1. Should these slip further, expect markets to price in a greater chance of cuts. To be clear, we only expect the Bank to cut the OCR if there were a clear case to do 50bps or more.

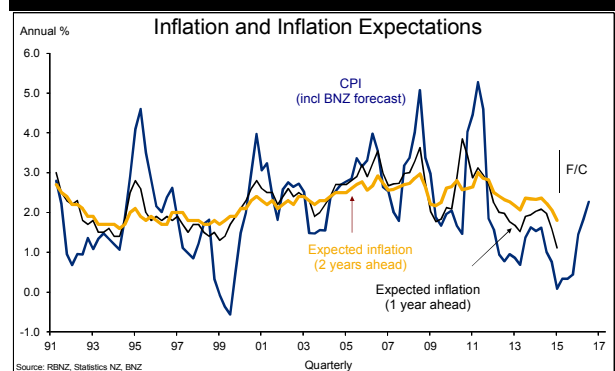
The RBNZ Presented A Dead Flat Rate Track In March



Falling Iron Ore Prices May Provoke April RBA Rate Cut



Falling Inflation Expectations Has The RBNZ Nervous



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NEW ZEALAND ECONOMICS

ANZ ECONOMIC OUTLOOK

MARCH 2015

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QUIETLY CONFIDENT

NEW ZEALAND ECONOMIC OUTLOOK

The New Zealand economy is well into an economic expansion and we are picking solid growth of around 3% per year over the coming years – a leader amongst global peers. There are challenges: Mother Nature, low dairy prices, and a high NZD. Yet these are dominated by support from construction, supportive financial conditions, business investment, net migration and still-elevated terms of trade. The main downside risk stems from offshore.

GLOBAL OUTLOOK

A mixed picture remains evident for our trading partners. The US is strengthening, Europe is improving (though is still structurally challenged), yet Australia and China remain soft. The impact of US Federal Reserve tightening is a key risk. We've pencilled in modest growth over the projection period, with risks tilted to the downside and considerable volatility.

EXPORT COMMODITY PRICES

Macro drivers such as geopolitical ructions, sluggish global growth, FX volatility and lower energy/feed prices are creating a challenging environment for many primary sectors. But exposure to these forces varies significantly, implying quite diverse outlooks for 2015/16.

LABOUR MARKET

Domestic economic strength suggests solid job growth should continue, although at a more modest pace than recent experience. Supply-side strength has been important. However, with the magnitude of labour utilisation gains unlikely to be repeated, wage growth should slowly lift and the unemployment rate fall towards 5%.

FISCAL POLICY

Surpluses beckon. They won't be large, so expenditure restraint will remain a key theme. From a policy perspective, we continue to expect a focus on boosting the economy's microeconomic foundations, although the upcoming Budget should also be notable for the key focus on policies to improve social outcomes.

INFLATION

Annual inflation is expected to remain sub-1% over 2015 before drifting towards the midpoint of the inflation target as some short-term suppressants fade. Questions remain regarding whether the period of low inflation is due primarily to transitory or more enduring influences.

EXCHANGE RATE

Strong economies typically have strong currencies, and the only challenger for the New Zealand economy at present is the US. We expect US data to reaccelerate in Q2 keeping NZD/USD under gradual but persistent downward pressure. However, we expect volatility to be high. Against all other currencies we expect the NZD to remain strong.

INTEREST RATES

With little inflation to speak of outside of housing and the NZD likely to remain elevated, the RBNZ has flat-lined its projections for the OCR and shifted to a neutral stance. We also expect the OCR to remain on hold for an extended period. However, the risks around that forecast remain skewed to the downside. New Zealand bonds remain in hot demand, and we expect them to contract on a spread to other geographies and for the curve to flatten as long-end yields move below 3%.

KEY ECONOMIC FORECASTS

Calendar Years	2012	2013	2014(f)	2015(f)	2016(f)	2017(f)	2018(f)
NZ Economy (annual average % change)							
Real GDP	2.4	2.3	3.3	3.0	2.9	2.6	2.6
Employment	0.5	1.6	3.5	2.8	1.5	1.2	0.0
Unemployment Rate (Dec qtr)	6.7	6.0	5.7	5.3	5.1	5.0	5.0
Terms of trade (SNA basis)	-4.1	6.1	4.7	-6.4	0.8	-1.0	-0.7
Global Growth (annual average % change)							
US	2.3	2.2	2.4	3.2	2.7	2.5	2.5
Eurozone	-0.8	-0.4	0.9	1.7	2.1	1.8	1.5
Australia	3.6	2.1	2.7	2.5	3.2	3.2	3.2
Japan	7.8	7.7	7.4	6.7	6.5	6.5	6.5
China	3.3	3.0	3.5	3.7	2.9	3.0	2.6
Trading Partners	2.3	2.2	2.4	3.2	2.7	2.5	2.5
NZ Inflation (annual % change)							
CPI Inflation	0.9	1.6	0.8	0.6	1.8	2.0	1.9
Non-tradable Inflation	2.5	2.9	2.4	2.5	3.2	3.2	3.0
Tradable Inflation	-1.0	-0.3	-1.3	-1.8	-0.1	0.3	0.5
NZ Financial Markets (end of December quarter)							
TWI	73.8	77.3	79.4	78.7	74.2		
NZD/USD	0.82	0.82	0.78	0.70	0.68		
NZD/AUD	0.79	0.92	0.96	0.97	0.97		
Official Cash Rate	4.3	4.5	3.50	3.50	3.75	4.50	
90-day bank bill rate	4.7	4.8	3.7	3.8	4.2	4.8	
10-year bond rate	3.5	3.5	3.7	2.8	3.3	3.5	
Fiscal and External Balance							
Current Account Balance (\$bn)	-8.5	-7.2	-7.7	-11.6	-12.6	-13.5	-13.9
as % of GDP	-4.0	-3.2	-3.3	-4.8	-5.0	-5.1	-5.1
Government OBEGAL (\$bn)*	-9.2	-4.4	-2.6	-0.2	0.4	1.4	2.1
as % of GDP	-4.4	-2.0	-1.1	-0.1	0.2	0.5	0.8

*Operating balance excluding gains and losses, June years. Forecasts and text finalised 31 March 2015.

KEY FORECAST ASSUMPTIONS:

- The NZD is assumed to end 2015 at 70 US cents and gradually ease to 68 US cents by late 2016.
- Net annual permanent and long-term (PLT) migration inflows are assumed to peak at around 57,000 persons by mid-2015 and taper off over the projection period, ending 2017 at around 25,000 persons.
- The value of earthquake reconstruction work is equivalent to \$40bn in 2013 dollars. This will be spread across residential (\$20bn), commercial and social assets (\$15bn), and infrastructure (\$5bn). More than half of this work is assumed to be completed by the end of 2017. The economic impact will be partly diluted by contractionary fiscal policy, equivalent to around 2½% of GDP over the projection period.
- Dubai oil prices are assumed to trade within a USD50 to USD80 per barrel range over the forecast period.
- Potential growth is expected to remain around 2¾-3% in the early part of the projections and around 2½-2¾% over the medium term.
- Average bank funding costs (as opposed to marginal funding costs) are assumed to continue to gradually decline from current levels. This will push the neutral OCR from around 4% at present towards 4½% by the end of the projection period.

NEW ZEALAND ECONOMIC OUTLOOK

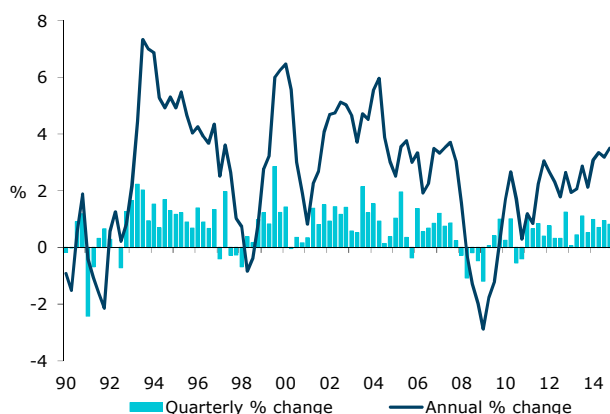
SUMMARY

The New Zealand economy is well into an economic expansion and we are picking solid growth of around 3% per year over the coming years – a leader amongst global peers. There are challenges; Mother Nature, low dairy prices, and a high NZD. Yet these are dominated by support from construction, supportive financial conditions, business investment, net migration and still-elevated terms of trade. The main downside risk stems from offshore.

GOLDILOCKS HAS MADE HERSELF AT HOME

The economy is on a roll. GDP growth averaged 3.3% over 2014 – the strongest since 2007. We forecast it to grow 3% over 2015. Consumption growth is solid, courtesy of a strong employment backdrop and rising resident population, as well as an oil-price induced cash flow boost. Tourists are pouring in thanks to the Cricket World Cup and increased connectivity with Asia. Annual net migration keeps hitting new record highs. Agricultural production will be negatively impacted by dry conditions over early 2015 (leading to some volatility in quarterly GDP outturns), but anecdotes suggest the situation has been well managed. Investment growth was 7.5% last year, underpinned by strengthening construction sector activity and wider business spending. The former has moved beyond the Christchurch earthquake-related rebuild effort and is providing support to wider sectors, whereas the latter is – importantly – boosting the economy's supply-side potential. While record net immigration inflows are adding to the labour supply, the unemployment rate has nonetheless fallen from a 2012 peak of over 7% to 5.7% at the end of last year.

FIGURE 1. NEW ZEALAND ECONOMIC GROWTH



Source: Statistics NZ, NZIER, ANZ

This is not an expansion enjoyed by just a few.

Over 2014, 11 of the 17 production GDP industries classified by Statistics NZ grew by more than 2%. From a regional perspective, 13 of 14 regions grew in excess of 2% over the year (based on our Regional Trends

measure). This is not just a construction-led expansion, nor is it limited to Christchurch or Auckland. While there are, as always, pockets of domestic weakness (dairy incomes and parts of retailing), the expansion is broad-based. **And when looking across an array of economic indicators (Truckometer, business and consumer confidence, financial conditions), it is clear that a decent pace of momentum has continued over early 2015.**

HARD YARDS ARE PAYING OFF

The fact we are still talking about circa 3% rates of growth as a base case is testament to the economy's resilience. The economy is entering its fifth year of expansion. But consider this: monetary policy has been tightened, and there is the prospect of further non-OCR measures to slow the housing market in addition to the high-LVR lending speed limit; fiscal drag has averaged 0.9% of GDP per year over the past three years; the NZD is hovering near post-float highs against some major trading partners; the 2014/15 dairy payout is below break-even for many farmers; and our two largest trading partners are mired in lacklustre or outright decelerating growth prospects. Yet despite all these headwinds, the domestic economic expansion marches on. **This is an economy that just does not want to roll over easily.**

There are of course some powerful forces

supporting the expansion in the form of the still historically high terms of trade, rising asset prices, a construction pipeline that remains massive – even if the earthquake rebuild is perhaps closer to peaking – and population growth that is running at its fastest pace in over a decade. However, we believe this economic resilience is more deep-seated than that.

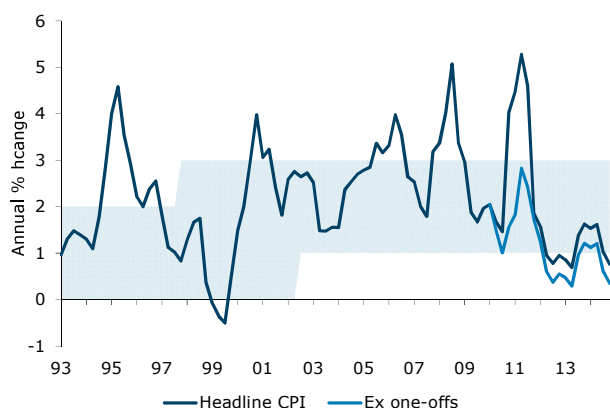
- **The national balance sheet is in much better shape.** Internal imbalances that would typically have built up at this stage of the cycle (and warn of rising risks ahead) have yet to emerge. While nationwide saving is insufficient to meet our investment needs, net external debt sits at an 11-year low as a proportion of GDP and the maturity profile of our international liabilities has lengthened considerably.
- **The supply side of the economy has shown remarkable flexibility.** In the immediate aftermath of the financial crisis the economy's rate of potential growth was around 2% (if not lower); it now sits closer to 3%. The most obvious driver has been record net migration, boosting the labour supply. But behind the scenes productivity growth has trended higher as firms have knuckled down and there has been a strong microeconomic policy

NEW ZEALAND ECONOMIC OUTLOOK

agenda. The impact of a number of small initiatives is adding up.

- **Business remains focused.** The complacency virus has not turned up, and a strong focus on productivity and cost management remains. The complacency virus typically precedes downturns by two years; recall the exuberance around 1995 and 2005, for instance.
- **Inflation is low, keeping the monetary policy party poopers at bay.** Annual inflation is set to fall to just 0.2% in the March 2015 quarter. While in part due to petrol price falls and the strong currency, non-tradable inflation adjusted for tax changes is running at just 1.7% y/y. Wage growth remains subdued. The economy is not hitting the capacity handbrakes that would typically curtail the expansion at this stage of the cycle and raise the hackles of the central bank.
- **We have a significant collection of little things that are adding up.** Unlocking New Zealand's natural resource endowment (witness irrigation activity on the Canterbury plains), a society that is pretty receptive to change, and exporters that are unlocking opportunities in Asia (witness the explosion in Chinese tourists).

FIGURE 2. HEADLINE INFLATION



Source: Statistics NZ, NZIER, ANZ

BUT TENSIONS AND RISKS EXIST

The economy is doing well and is showing a notable degree of resilience. But it is not bullet proof. A widening current account deficit (although we do believe it will be capped around 5% of GDP) is a reminder that vulnerabilities remain. We are particularly mindful of the fact that New Zealand is still an economy that needs to earn its keep and the global backdrop remains fickle. We can talk about a robust domestic expansion all we want, but we would begin to question its longevity if the demand for our exports were to weaken significantly or if household

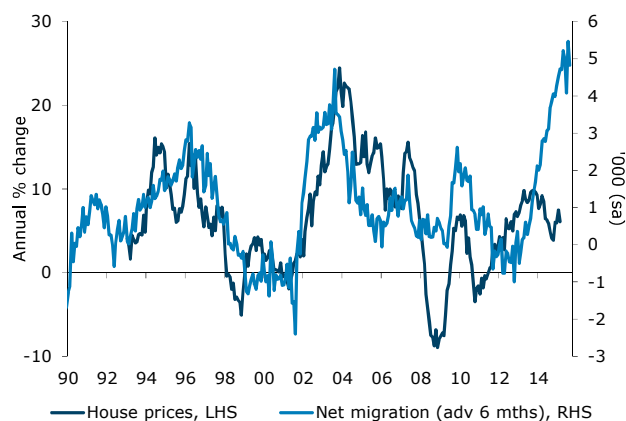
consumption growth were to outpace income growth for numerous years.

We are paying particularly close attention to performance of China. For better or worse, New Zealand is now much more reliant on the Chinese economic machine. Clearly this has proven incredibly beneficial over recent times – you need only look at the current strength in visitor arrivals and services exports to see that! But the Chinese economy is now on a slowing trajectory as it grapples with the hangover from its own credit binge. Policymakers are not sitting still, but it is a difficult job maintaining cyclical strength through a period of structural adjustment (just ask Europe!) and there remain significant downside risks from the likes of the property sector.

There are numerous other focal points around the globe that leave us cautious. Cyclically, Europe appears to be lifting, but structurally it remains a mess. The Greece problem is yet to be sorted. In Australia, despite considerable policy support, the non-mining recovery continues to disappoint. There is also the elephant in the room with regard to how financial markets (and emerging economies) handle eventual interest rate hikes from the Federal Reserve. We suspect it won't be a smooth ride.

Locally, there is considerable tension between consumer and asset price inflation. One has been a persistent undershooter relative to expectations, while the other (particularly Auckland house prices) is becoming problematic on the upside. The apparent breakdown in the relationship between capacity utilisation and inflationary pressure is causing some RBNZ head-scratching. Is inflation dead, or is it only sleeping? Is low inflation structural or transitory? And how is monetary policy to respond if CPI inflation is tame but asset price inflation a worry?

FIGURE 3. HOUSE PRICES AND NET MIGRATION



Source: Statistics NZ, NZIER, ANZ

NEW ZEALAND ECONOMIC OUTLOOK

Re-enter macro-prudential policy. The LVR speed limit restrictions curbed the market for a time, but the Auckland market has picked up a head of steam again. The RBNZ has responded by consulting on methods of categorising “investor” housing lending – a micro-prudential step towards further macro-prudential bullets being fired. Unlike LVR restrictions, which act only on new lending, new measures could potentially be retrospective, and the RBNZ will be hoping that there will be an announcement effect on investor confidence that would bring the property market to a more even keel. **This would also take further upside pressure off OCR settings.**

Dairy sector cash-flow will be tight in the back half of 2015 and we are mindful that dairy land prices have surged 36% in the past two years. One year of a low dairy payout is manageable; it's prospects for 2015/16 that remain key and we're ho-hum on this score (refer page 8). Low dairy prices are seeing a supply-side response (less production), but the demand situation remains soft. We're expecting some isolated pocket of stress.

We do believe the economy has the resilience to withstand any potential hiccups, although we are mindful of the risk profile – the economy is certainly not fully decoupled from the global scene. **But if it can manage to navigate these tensions without being too caught in the crossfire, then we believe it can well and truly be looked upon with envy. We are quietly confident.**

KEY FEATURES OF OUR FORECASTS

Beyond our circa 3% GDP forecast for 2015 and 2016, there are some other key elements of our forecasts:

- **Sequential momentum to remain decent near-term.** While we are expecting a temporarily softer pace of growth over Q1 2015 (we have pencilled in 0.5% q/q) due to the impact of drought, unwind in inventories, and moderation in services exports following stellar Q4 growth, the underlying story is sequential growth at around a 0.7%-0.8% q/q pace over 2015 – in other words, trend or slightly above trend growth over the course of the year. Growth momentum is forecast to ease slightly beyond this as some of the current tailwinds to growth (net migration and earthquake rebuild) begin to fade, seeing growth settle closer to 2½%. But the story is one of respectability.
- **Reasonable consumption growth to continue, but to be ultimately capped by income growth.** Given the considerable growth evident in investment spending (in part earthquake related), we have long felt that the sacrificial lamb would need to be consumption in order to avoid a blow-out in the current account deficit (and inflation). That has proved to be correct and is still our core view. Household consumption is forecast to grow by 3.5% over 2015 but to ease beyond this through a combination of moderating disposable income growth (particularly rural incomes), slowing population growth, and the assumed softening in house price inflation as policy maker actions and affordability constraints bite. Ultimately, and by default, the saving buffer (albeit modest) that New Zealand households have built up over recent years is expected to be maintained.
- Despite an approaching peak in the earthquake rebuild, **the construction sector is set to remain a key contributor to growth.** While the size of the contribution is likely to moderate, we are not believers in the ‘post-rebuild growth hole’ story. There remains a considerable pipeline of work, from Auckland housing shortages to numerous infrastructure projects. And as the Christchurch rebuild matures, the headwind from restrictive fiscal policy fades.
- Despite the economy adding modestly to capacity pressures over the next two years, **inflation will be capped by wider disinflationary forces.** Headline inflation is eventually expected to rise gradually towards the target mid-point as some of these forces fade, but there is little pressure on the RBNZ to adjust OCR settings higher for some time.
- The domestic-centric nature of the expansion, as well as further expected falls in the terms of trade, will see the **annual current account deficit widen towards 5% of GDP.** That said, it is expected to be capped around this level, given assumed ongoing restraint by households and the Crown, and a stabilisation in the goods terms of trade from mid-2015.

NEW ZEALAND ECONOMIC OUTLOOK

NEW ZEALAND NATIONAL ACCOUNTS FORECAST

Calendar years (average annual % change)	2012	2013	2014(f)	2015(f)	2016(f)	2017(f)	2018(f)
Total Consumption	1.9	2.7	3.3	2.9	2.2	2.0	2.3
Private Consumption	2.9	2.9	3.2	3.5	2.7	2.4	2.8
Public Consumption	-0.9	2.0	3.6	0.8	0.5	0.8	0.6
Total Investment	7.9	8.5	8.7	6.4	4.9	3.0	1.8
Residential investment	14.1	16.6	16.7	8.7	7.4	0.7	-5.2
Other investment	6.3	6.2	6.2	5.7	4.1	3.9	4.2
Stockbuilding¹	0.1	0.1	0.2	0.0	0.2	0.1	0.1
Gross National Expenditure	3.1	3.9	4.7	3.8	3.0	2.4	2.2
Total Exports	1.8	1.0	2.7	2.4	2.8	3.7	3.9
Goods	4.0	0.7	1.3	3.7	2.8	3.4	3.5
Services	-3.8	1.7	6.3	-1.1	2.6	4.7	4.9
Total Imports	2.8	6.1	8.0	4.9	3.2	2.8	2.8
Goods	3.9	6.6	9.1	6.6	3.5	3.0	3.1
Services	-4.6	0.8	5.7	3.7	2.1	2.0	2.0
Expenditure on GDP	2.9	2.5	3.0	2.9	2.9	2.6	2.5
GDP (production based)	2.4	2.3	3.3	3.0	2.9	2.6	2.6

¹ Percentage point contribution to growth

GLOBAL OUTLOOK

SUMMARY

A mixed picture remains evident for our trading partners. A strengthening US outlook and improving signs in Europe provide cause for optimism, courtesy of considerable policy stimulus, although deeper European structural issues have yet to be addressed. The outlook is more guarded in our two largest trading partners. A huge layer of uncertainty surrounds how asset prices and emerging-market Asia will respond to the US Federal Reserve lifting rates. We've pencilled in modest growth over the projection period, with risks tilted to the downside and considerable volatility likely.

LIQUIDITY BOOST

There are encouraging signs of improvement in the global economy. The US economy is on track for solid growth despite a Q1 hiatus, and improving signs are evident in Europe. Lower oil prices are providing a boost to consumers, although it is a mixed blessing, given the impact on incomes for oil-exporting nations (a growing export market for New Zealand), and on the energy sector, with oil having been heavily financialised as an asset class when prices were high. There will be fallout.

Both policy and long-term interest rates are at historically low levels (negative in some instances), with the ECB recently joining the QE party. **This seems to have provided some calm to financial markets.** Measures of equity market volatility have eased since the start of the year (although implied FX volatility has increased). Equity indices are at, or close to, record highs. The USD bull trend has continued.

While **the Federal Reserve is likely to start raising interest rates later this year**, policy settings are set to remain expansionary for some time. **We expect turbulence** in asset and foreign exchange markets. Rates might be moving up because the US economy is stronger, but we foresee a tug-of-war as asset prices try to second-guess the Fed, and the risk-free rate moves up. The impact on emerging economies of movements in the cost of capital and USD is an even greater risk, with the likes of China having leveraged heavily during the era of low rates and QE from the Fed. The ECB might be printing more money but

ultimately it is the USD that is the key funding currency.

By country and region we expect:

- **A solid US outlook.** Weather-related disruptions are impacting current data, but the pace of underlying activity is sound and a rebound is expected in Q2. Businesses and households are confident, and balance sheets are in good shape. The labour market is strengthening, although slack remains. A firmer USD will act as a headwind but modest growth still beckons.
- **Improving activity in the Eurozone but still sub-par results.** The lower euro, lower energy prices, and €1.1trn of ECB stimulus are providing demand-side support. Activity data, whilst weak, is on an improving trajectory. However, we find it difficult to entertain the possibility of solid growth give structural rigidities across the region. So growth will be off lows, but still low and sub-par.
- **Sub-trend growth in Australia.** The terms of trade have been falling for 3½ years; iron ore and other commodity prices have been hammered. The massive run-up in resources sector capital spending is now reversing, with other demand yet to fill the void, although interest-rate sensitive pockets such as housing are stronger. Structural issues (waning productivity growth and high cost structures) still need to be addressed. Political fracas is not helping. The lower AUD is assisting the transition to more export activity.
- **Slowing growth in China, with considerable questions over its underlying performance.** We have assumed the fabled soft landing, with 6-7% growth. However, addressing property market excess whilst simultaneously transitioning the economy away from export and investment towards more private consumption – not to mention the impact of prospective lifts in US interest rates – will keep China's economy front and centre. There are considerable downside risks.
- **Trading partner growth is expected to peak this year at just under 4% and then ease in later years.** The risks are tilted to the downside.

GLOBAL ECONOMIC GROWTH FORECAST

Calendar years	2012	2013	2014	2015(f)	2016(f)	2017(f)	2018(f)
United States	2.3	2.2	2.4	3.2	2.7	2.5	2.5
Australia	3.6	2.1	2.7	2.5	3.2	3.2	3.2
Japan	1.7	1.6	-0.1	1.2	1.6	1.2	1.2
Eurozone	-0.8	-0.4	0.9	1.7	2.1	1.8	1.5
China	7.8	7.7	7.4	6.7	6.5	6.5	6.5
Trading Partner Growth	3.3	3.0	3.5	3.7	2.9	3.0	2.6

EXPORT COMMODITY PRICES

SUMMARY

Macro drivers such as geopolitical ructions, sluggish global growth, FX volatility and lower energy/feed prices are creating a challenging environment for many primary sectors. Exposure to these forces varies significantly, implying quite diverse outlooks for 2015/16. Key for how things evolve will be local and offshore supply dynamics, as well as NZD direction. Across some soft commodity markets such as dairy, prices are below the cost of production, which will help cap production and drive price tension. But this is against a soft demand backdrop. Currently we have a milk price forecast of \$4.70/kg MS for 2014/15 and \$5.75/kg MS for 2015/16.

CHALLENGING ENVIRONMENT

A number of key macro drivers are providing a challenging environment for many sectors. This has us cautious heading into the 2015/16 season. These drivers include:

- **Sluggish economic and real wage growth in many markets outside the US.** This is dampening consumption growth in some key emerging economy import markets. We also get the sense that much of the fast growth seen over the last 10 years has slowed as markets mature, and consumer sophistication – and the degree of competition – increases. China has been at the heart of lower demand for many sectors during the first quarter of 2015. In more developed markets it is much more about stagnant wage growth influencing consumers' purchasing habits, with the retail channel's constant conditioning of consumers to 'specials' proving hard to shake.
- **Geopolitical ructions** disrupting trade flows and import demand in some key import regions (mainly Europe and the Middle East). Russian sanctions and the dramatic fall in the ruble continue to reverberate through many soft commodity sectors and key markets.
- **Lower feed costs for the Northern Hemisphere** boosting the competitiveness of key competing exporters and products.
- **Generally lower commodity prices for key inputs**, such as oil and fertiliser, weighing on both the cost curve and sentiment.
- **Competitors opening up more market access into the likes of China and other emerging markets.**
- **Foreign exchange volatility altering competitiveness in soft commodity markets.** The rise of the USD makes imported food

products more expensive in some key emerging import markets. The flipside is a weaker NZD/USD and reduced US export competitiveness. These dynamics have varying impacts, according to the degree of FX hedging and earnings exposure to different markets. USD strength is also a function of euro weakness. This weakness boosts European exporter competitiveness for the likes of dairying, but reduces New Zealand earnings for those products such as venison, sheepmeat, pipfruit and kiwifruit that derive a significant proportion of earnings from European markets.

Exposure to these forces varies significantly across the different primary sectors, implying quite diverse outlooks for 2015/16. Some of the effects can take a while to work through due to production lifecycles and various government support programs. **Key for how things evolve will be supply dynamics.** These will be governed by inventory positions, seasonal conditions both domestically and for key competitors, and how producers respond to lower margins.

The dairy and venison sectors are finding it tough at present. We expect a Fonterra milk price of \$4.70/kg MS for the 2014/15 season, below break-even for most farmers, with some potential downside depending on how things evolve. We expect a recovery to \$5.75/kg MS in 2015/16, but there are lots of moving pieces at present. Better in-market returns are expected for venison, but the strong appreciation in the NZD/EUR is expected to eat up all of these gains plus some.

The outlook for sheepmeat is more neutral. We are cautiously optimistic on demand, but wary of recent weakness in European markets outside of Germany, and China. Reduced domestic and Australian supplies are expected to help rebalance key markets. **Beef prices are expected to remain strong**, driven by the continued outperformance of the US market and a slowdown in Australian supply. **In-market crossbreed wool prices are under pressure** from substantially lower synthetic and cotton prices, as well as lacklustre demand growth outside the US.

Kiwifruit prices will be lower as NZ supply improves as regrafted vines following the Psa outbreak begin to bear fruit. **Pipfruit is mixed**, with lower prices expected in Europe, but Asian prospects looking better. **A significantly smaller 2015 Sauvignon Blanc vintage** is expected to smooth supply between adjoining years, averting the need to reduce prices to shift product.

LABOUR MARKET OUTLOOK

SUMMARY

Domestic economic strength suggests solid job growth should continue, although at a more modest pace than recent experience. But it is the supply side that is, and has been, the more important story. Record net immigration and labour force participation have kept capacity pressures at bay, providing the expansion with more longevity. But with the magnitude of gains in labour utilisation unlikely to be repeated, we do see wage growth slowly lifting and the unemployment rate falling towards 5%. The onus falls on higher rates of productivity growth to cap growth in unit labour costs.

STRENGTH TO STRENGTH

The labour market has strengthened considerably. After a period of cost-cutting and pushes for efficiency gains, firms now have the confidence and the financial strength to put cash to work. Employment, at 3.5% y/y, is growing at near its fastest pace in a decade. Over the past two years, the economy has added 187K jobs, with the majority of those jobs (140K) being full-time workers. Like the expansion itself, employment is also reasonably broad based, with most sectors experiencing gains over the past year (although the construction sector continues to outperform). At the regional level, northern areas have begun to take the baton from the fast-out-of-the-blocks Canterbury region.

Admittedly, there is a degree of catch-up involved. The labour market is a lagging indicator after all, so the fact it has strengthened should not be surprising, given the state of the domestic economy. Nevertheless, forward gauges point to ongoing solid gains (albeit at perhaps more modest rate), with employment intentions sitting well above historical averages for each major sector of the ANZ *Business Outlook* survey.

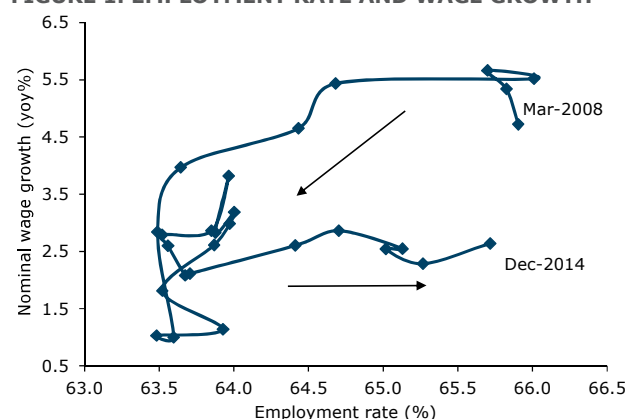
But if anything, it is the supply side of labour market that has been – and remains – the more important story. Courtesy of record net immigration, the working age population is growing at its fastest pace since 2004. The labour force participation rate, at 69.7% (from 68.2% at the end of 2012), is at record levels, which has seen an additional 129K workers join the labour force over this time. While the unemployment rate has nonetheless fallen over this time (to 5.7%) it would have been at 3.6% without this participation boost. Under such a scenario, the economy would have easily fallen into the “overheating” camp and we can quite confidently say that the OCR would not have been at just 3.5%!

A rising participation rate puts New Zealand into a different camp to many other developed

nations at present (add it to the list!). Moreover, while the ageing of the population would naturally be expected to weigh on the participation rate, a shift to later retirement of workers, balance sheet considerations, welfare reforms to encourage work, and an improving employment outlook itself all look to be behind the increase in overall workforce participation. This all fits within the economic resilience theme and helps give the current economic expansion more longevity.

As a result, wage growth has remained modest for this stage of the cycle. A rising employment rate would typically be associated with stronger wage growth, yet growth in average hourly earnings sits at just 2½%, as supply factors, low cost of living adjustments, and competition for jobs have dominated.

FIGURE 1. EMPLOYMENT RATE AND WAGE GROWTH



Source: ANZ, Statistics NZ

As the cycle matures, we naturally expect the demand for labour to moderate. Employment growth is forecast to ease to 1.5% in 2016 after 2.8% growth over 2015. However, with the gains seen in labour utilisation unlikely to be repeated (the participation rate is forecast to remain at historically high levels but not rise further), this should see the unemployment rate drift down towards 5%.

For now, spare capacity in the labour force remains. Average hours worked per person are 4% below their historical average. That said, as the unemployment rate falls capacity bottlenecks and skill shortages should begin to emerge, seeing wage growth drift higher. **Annual private sector wage growth is forecast to settle around 3½% by late 2016.** This therefore places more onus on higher productivity growth to ensure unit labour costs are contained and the gains seen in the economy's potential growth rate can be maintained.

FISCAL POLICY

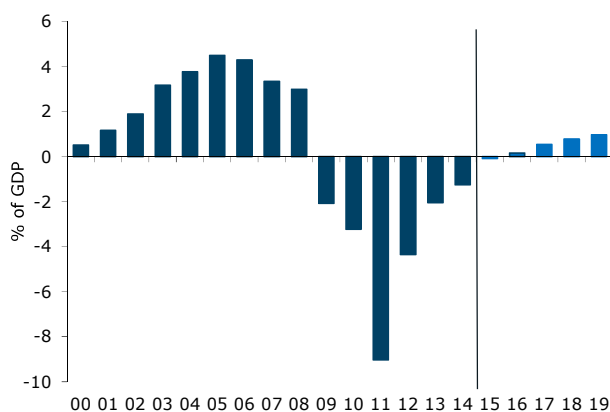
SUMMARY

Surpluses beckon. They won't be large, so the fiscal purse will remain tight with expenditure restraint a key theme. From a policy perspective, we continue to expect a focus on boosting the economy's microeconomic foundations, although the upcoming Budget should also be notable for the key focus on policies to improve social outcomes.

SURPLUSES IN SIGHT

Fiscal surpluses are within reach. **The economy has good momentum and expenditure restraint continues. The Treasury is projecting a soon-to-be reached surplus, and we concur. Net core Crown debt (as a share of GDP) is close to peaking.**

FIGURE 1. UNDERLYING OPERATING BALANCE



Source: ANZ, NZ Treasury

In terms of the numbers themselves, we forecast OBEGAL surpluses to return in 2015/16. There is still the possibility of a small surplus being achieved this year, given that tax revenue is currently running ahead of expectations. However, we don't believe the impact of the weaker terms of trade and low inflation is fully influencing the tax-take just yet. As such, this

gap relative to expectations should narrow. **But beyond this, OBEGAL surpluses are forecast to lift towards 1.0% of GDP (slightly less than the Treasury forecast), and net debt looks set to peak below 28% of GDP.**

The projected fiscal buffers aren't likely to be large. A 1% of GDP OBEGAL surplus is modest and flags limited potential for an uplift in spending or tax cuts, particularly given a backdrop which is likely to become increasingly testy in the political arena – the realities of being a third-term Government will start to bite, and public wage expectations are on the ascent.

As surpluses are achieved, fiscal policy becomes progressively neutral in terms of the overall impact on growth (i.e. less restrictive). This will help mitigate some of the negative flow-on of the growth contribution from the Christchurch city rebuild peaking in around 18 months' time.

A "MORE OF THE SAME" AGENDA BUT WITH SOME TWISTS

We expect the usual high notes of building a more productive economy, managing the finances responsibly and delivering better public services to be the mainstays across the policy agenda. However, it is clear that we are going to see more head-on attempts to improve social outcomes. The likes of housing will feature heavily but it is **the education sector that is ultimately critical if a sustained push to close income inequality divergence and poverty is to be successful.** Ultimately you need to give people the skills to take on well-paying jobs (we're assuming New Zealand's economic story is good enough to create them). The world and the nature of jobs on offer are changing rapidly. You won't improve social outcomes unless you foster a responsive, fast-moving and adaptive education system. Otherwise it's a hand-out as opposed to a hand-up.

FISCAL FORECASTS

June years	2014	2015(f)	2016(f)	2017(f)	2018(f)	2019(f)
OBEGAL (\$bn)	-2.6	-0.2	0.4	1.4	2.1	2.7
– as % of GDP	-1.1	-0.1	0.2	0.5	0.8	1.0
Operating Balance (\$bn)	2.8	2.5	2.8	3.8	4.6	5.2
– as % of GDP	1.2	1.0	1.1	1.5	1.7	1.9
Net Core Crown Debt (\$bn)	59.9	64.8	68.1	69.1	68.7	67.8
– as % of GDP	25.6	27.0	27.3	26.7	25.6	24.3
Core Crown residual cash (\$bn)	-4.2	-5.1	-3.6	-1.1	0.4	0.9
Bond Tender Programme (\$bn)	8.0	8.0	7.5	7.5	7.5	7.5

INFLATION

SUMMARY

Annual inflation is expected to remain sub-1% over 2015 before drifting towards the midpoint of the inflation target as some short-term suppressants fade. Questions remain regarding whether this period of low inflation is due primarily to transitory or more enduring influences. Our projections of circa 2% annual inflation from late 2016 assume that expectations of wage and price setters are aligned closely to the midpoint of the inflation target. This, along with on-trend growth, should see annual inflation settle close to 2%.

PRICING WATCH

Annual CPI inflation has remained below the midpoint of the inflation target since 2011, with measures of core inflation generally remaining sub-2% since 2010. The benign inflation backdrop has surprised not only the RBNZ, but also most private sector forecasters who had viewed the period of low inflation as temporary given that the economic expansion was well advanced, and capacity gauges were pointing to rising inflation.

The usual reasons for low inflation outturns have been bandied about, including the impact of the high NZD, and lower oil and commodity prices. There is also the likelihood that some more enduring influences are having an impact on containing domestic inflationary pressure, including enhanced productivity, the impact of new technology, and the disinflationary impact of globalisation. Surveyed measures of inflation expectations remain at, or below, the 2% level, suggesting that the period of low inflation is expected to persist for a while yet. There is a global element to what is going on, with low inflation not specific to New Zealand.

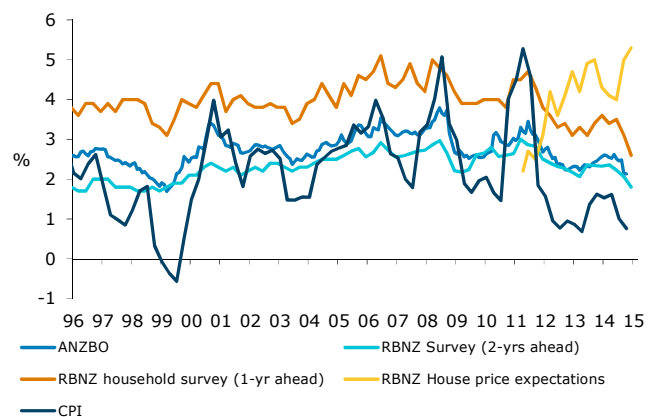
We expect annual CPI inflation to remain below 1% for all of 2015. This reflects a combination of factors, including the lagged impact of NZD strength and lower global energy prices maintaining disinflationary pressure on tradable prices. Lower petrol prices are expected to directly shave 0.7 percentage points off annual inflation in the March 2015 year, with a strong possibility that annual CPI inflation falls below zero early this year.

Domestically generated inflation is expected to remain low over 2015, **with benign wage inflation and improved supply-side performance capping pricing pressures**. While strengthening net immigration is supporting demand, the mix is supply-side friendly and has helped to contain wage inflation and alleviate capacity bottlenecks within the economy. Pricing pressures remain acute in the construction sector, but have not filtered through to other prices. The NZD may be on the way down against the USD, but the lags are long, and the NZD is around post-float

highs against the AUD and euro. Recent NZD gains against the yen are expected to lead to further falls in vehicle prices.

Annual CPI inflation is expected to gradually lift over 2016, with non-tradable inflation to rise towards 3% as pressures on capacity intensify and wages and prices firm. The foreshadowed lift in oil prices and the lower NZD/USD are expected to push annual tradable inflation back into positive territory. Administrative price changes will also affect the inflation profile; the Government have yet to announce increases in tobacco excise beyond March 2016 (an approximate 0.2 percentage point contribution to annual CPI) – our inflation projections do not build in excise tax hikes until they are announced. **Our projections also assume inflation expectations are aligned with the midpoint of the inflation target**, with confidence the RBNZ's actions will be sufficient to deliver 2% inflation. We acknowledge, however, uncertainties are considerable given the myriad of possible influences.

FIGURE 1. NZ INFLATION EXPECTATIONS



Source: ANZ, RBNZ, Statistics NZ

CPI FORECAST

Quarter	Qtr % chg	Ann % chg
Mar-15 (f)	-0.3	0.2
Jun-15 (f)	0.4	0.3
Sep-15 (f)	0.5	0.4
Dec-15 (f)	0.0	0.6
Mar-16 (f)	0.4	1.3
Jun-16 (f)	0.5	1.4
Sep-16 (f)	0.6	1.6
Dec-16 (f)	0.2	1.8
Mar-17 (f)	0.4	1.8
Jun-17 (f)	0.5	1.9
Sep-17 (f)	0.8	2.0
Dec-18 (f)	0.2	2.0
Mar-18 (f)	0.4	1.9
Jun-18 (f)	0.5	1.9
Sep-18 (f)	0.8	1.8
Dec-18 (f)	0.2	1.9

EXCHANGE RATE

SUMMARY

Strong economies typically have strong currencies, and the only challenger for the New Zealand economy at present is the US. We expect US data to reaccelerate in Q2 keeping NZD/USD under gradual but persistent downward pressure. However, we expect volatility to be high. Against all other currencies we expect the NZD to remain strong. Specifically, we expect the NZD to continue to trade at or near record levels against the EUR and AUD, and make new cycle highs against the JPY. The GBP is likely to remain weak against NZD until May's election uncertainty is removed, and the UK economy accelerates again.

A STRONG ECONOMY

Strong economies don't tend to have weak currencies, and New Zealand – in the words of the RBNZ Governor Wheeler – is in a "different situation" to the countries containing the 26 central banks that have eased policy 34 times since 2015 began. Paraphrasing Governor Wheeler: the NZ economy is growing at over 3%; has a positive output gap; strong employment growth (around 3.5%); record levels of net migration; and record levels of participation in the labour market (around 70%). The NZD has recently reached record levels against the EUR and AUD and is near cycle highs against the JPY. The "different situation" that New Zealand finds itself in will ensure the NZD remains elevated on a trade-weighted basis for some time yet. Our forecasts portray a strong economy. Enough said.

However, through a somewhat rhetorical question, we must ask; where does this leave the risks for the NZD? New Zealand is in the near nirvana of 3% growth and low inflation – in sharp contrast to four out of our five largest merchandise trading partners, who are facing slowdowns. But we believe the NZD is fully priced for this "different situation", and find it hard to envisage positive economic surprises given the situation in four of our five largest trading partners. **Thus we conclude that the risks lie mostly lower.** New Zealand's five largest merchandise trade partners by size are China, Australia, the US, Japan, and South Korea. Of those, China, Australia, and South Korea have all eased policy in 2015, and Japan has been engaged in QE (policy easing) since April 2013. Our third-largest trading partner, the US, like NZ is also in a "different situation" – a period of economic expansion – which we expect to continue to strengthen. This will allow the Fed to gradually normalise policy.

With risks on the downside, but a "different situation" and hefty cost of carry for shorts, the key question for NZD becomes one of timing. Also, USD strength makes the NZD/USD the only currency pair we are comfortable expressing a short bias on. Therefore, we are watching five key domestic indicators for signals that it would be time to express our short bias:

1. **Prospects for New Zealand commodities.** This is wider than just dairy prices, and is driven by broader demand in growth markets (for example China) for kiwi produce. We are watching closely for any sign of weakening global demand.
2. **Confidence.** Quite simply, economies run on confidence and New Zealand businesses and consumers have it. Should something dent prospects for the NZ economy and hence the NZD it may first show up in confidence numbers. ANZ business and consumer confidence indices are clear indicators of the "different situation" evident in New Zealand.
3. **Inflation.** Global inflation is "MIA" and the side-effect of global monetary policy is deflation being exported via currency revaluations. The ANZ Monthly Inflation Gauge is our timely indicator for underlying inflation trends in the NZ economy.
4. **Deteriorating trade and current account performance.** The mix of growth (more domestic, lower terms of trade) is denting structural trade metrics. We've pencilled a modest deterioration, but a more aggressive one would place more pressure on the NZD to adjust in line with such fundamentals.
5. **The RBNZ.** Could they follow other central banks and cut rates? Yes, but the hurdle is high. However, throw together continued low core inflation, further falls in dairy prices, the NZD hitting new highs and a prudential response to the Auckland property market, and they would be in play.

THE GLOBAL OUTLOOK

The other key dynamic for NZD/USD is the pace of the US recovery. While the US recovery remains modest and inflationary pressures mild, the pace of USD appreciation can be gradual. But if wage pressures accelerate or inflation picks up then the USD will swiftly become the strongest currency. Of course this is far from a one-way bet; there is a point at which a firm USD will dent economic momentum and stymie the Fed from lifting rates. We're not at that point yet.

EXCHANGE RATE

The news out of China remains a key source of concern for the NZD. The Chinese continue to manage a slowdown in their growth rate, and face structural challenges in transitioning from export-led to internally driven growth. This process raises questions regarding the outlook for Chinese demand for New Zealand product.

The wildcard remains how China and other harbingers of demand for commodities react to the Fed eventually lifting rates in the second half of 2015. We're circumspect.

While growth may be lifting, structurally speaking, Europe remains a weak spot for the global economy. While the latest tensions in Greece may get resolved, solutions other than full fiscal union merely kick the can down the road, storing up issues for the future. We expect EUR to remain on the back foot, driven by capital flows escaping the low yield and low growth environment in Europe.

We are also closely monitoring the signal from global commodities. There are no examples of a time where the plunge in demand and price for so many commodities has not signalled problems with global growth. This time may be different due to the unwinding of the financialisation of commodity markets (another symptom of USD leverage reduction as we approach US rate normalisation) and the supply-side boost currently evident in oil markets, but we remain wary, preferring to err on the side of caution. Hence we see downside risks to NZ commodity demand and hence NZD.

NZD/USD: USD BULL TREND

We expect NZD/USD to continue a steady decline over 2015 as the Fed begins the long road towards policy normalisation. However, we have significantly increased our expectations of volatility around this trend. We expect US data to reaccelerate in Q2 after the winter decline. We expect some further USD appreciation as this data acceleration emerges, but for USD strength to tail off rapidly as we approach lift-off, and stall as the markets move past reacting to the timing of the first hike and toward pricing the abnormally slow pace of US rate normalisation. In this period we would expect the NZD to remain fairly stable against the USD, but believe risks of further commodity price falls and weakness in global demand keep risks asymmetrical. This sees us with a tactical short bias.

NZD/AUD: TRENDING HIGHER

The RBA and RBNZ are on divergent policy paths and NZD/AUD has printed a succession of new post-float highs in the last quarter.

Employment trends are divergent, as are the relative stances of the central banks. Given this, it is reasonable to expect NZD/AUD to remain elevated, and indeed possibly create further post-float highs.

While we can point to the economic cycle and the sizeable interest rate differential as a reason for the NZD/AUD remaining elevated, the story is broader. Structural metrics (terms of trade shifts, productivity growth) are in New Zealand's favour. The microeconomic trajectories of the two economies are on divergent paths too, and they are deposits on tomorrow's growth story. This has lifted fair value for the NZD/AUD from 0.85-0.88 to a couple of cents higher. It's still stretched at current levels, but the rubber band is not as taut as it could have been, and nor is the potential snap-back. We suspect we'll see a short-term blip to parity.

NZD/GBP: ELECTION RISKS

Fundamentally we expect GBP to strengthen against NZD as the BoE moves to normalise policy over the coming twelve months. **However, the May 7 election poses unique risks for the GBP and we expect NZD/GBP to remain elevated with an upward bias into that election.** At present the election is too tight to call and presents a lose/lose scenario for GBP. Traditionally a Tory win would boost the pound, but this time the Tory party may need the right wing UKIP party to form a government, and even if they don't, they have promised a referendum on EU membership, a referendum that will stall economic activity while it is determined if the UK's largest trading partner will remain an open market for it. A Labour win would likely involve a deal with the Scottish National Party, whose independent Scotland referendum caused GBP declines late last year.

NZD/EUR: STABLE, WITH RISKS

Europe continues to face many challenges that will keep this cross elevated; we forecast new highs. With the ECB committed to quantitative easing until at least September 18, we expect capital to flow from Europe to higher-yielding destinations, especially those who also have growth and real yields on offer like New Zealand. The political and fiscal problems Europe faces are by no means over either. Even if the current Greek question can be solved we see little prospect of a solution doing anything but delaying the inevitable fiscal square up that Europe faces. We maintain a sell bias on EUR, until progress toward fiscal union is made.

EXCHANGE RATE

NZD/JPY: ELEVATED

Japan is undergoing the largest expansion of its monetary base (relative to its balance sheet) in modern history. This commitment to reflation the Japanese economy should ensure JPY remains weak over the foreseeable future, and that investment flows will seek high-yielding assets such as the NZD. We expect this to keep the NZD/JPY elevated, with any periodic bouts of weakness an opportunity to buy NZD with JPY assets.

The process of Abenomics may have also passed the point of no return: any attempts to back away from reform at this stage would also see JPY continue to decline, as the BoJ is well on its way to fully monetising Japanese government debt.

EXCHANGE RATE FORECASTS (AVERAGE OF QUARTER)

Quarter	NZD/USD	NZD/AUD	NZD/JPY	NZD/GBP	NZD/EUR	NZ TWI
Mar-14	0.87	0.94	89.3	0.52	0.63	80.5
Jun-14	0.87	0.93	88.6	0.51	0.64	80.9
Sep-14	0.77	0.89	85.0	0.48	0.62	75.6
Dec-14(e)	0.78	0.96	93.6	0.50	0.64	79.4
Mar-15(f)	0.73	0.96	88.3	0.49	0.70	78.7
Jun-15(f)	0.72	0.97	88.6	0.49	0.71	79.1
Sep-15(f)	0.70	0.96	86.8	0.47	0.71	77.8
Dec-15(f)	0.70	0.97	87.5	0.45	0.74	78.7
Mar-16(f)	0.69	0.97	86.9	0.45	0.69	76.7
Jun-16(f)	0.69	0.97	87.6	0.45	0.66	75.8
Sep-16(f)	0.68	0.97	87.4	0.44	0.62	74.0
Dec-16(f)	0.68	0.97	88.4	0.44	0.62	74.2

INTEREST RATES

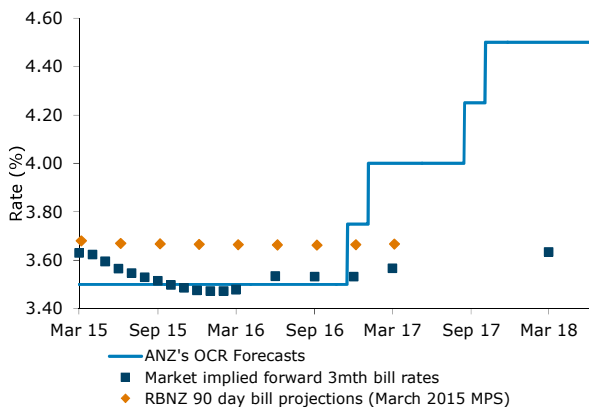
SUMMARY

With little inflation to speak of outside of housing and construction, and the NZD likely to remain elevated, the RBNZ has flat-lined its projections for the OCR and shifted to a neutral stance. We also expect the OCR to remain on hold for an extended period. However the risks around that forecast remain skewed to the downside in the near term. Policy easing by trading partners has added upward pressure to the NZD, global inflation pressures are still low, and China-centric risks abound. New Zealand bonds remain in hot demand, and we expect them to contract on a spread to other geographies, and for the curve to flatten as long-end yields move below 3%.

SHORT RATES STEADY/LOWER AS RBNZ FLAT-LINES ITS BILL PROJECTIONS

We expect short-end interest rates to remain fairly stable in coming months, albeit with a downside bias. This expectation is based on the RBNZ's newfound "steadfastly on-hold" stance, which the Bank has expressed via the flat-lining of its 90-day bank bill projections. By contrast, markets have close to a full RBNZ cut priced in by the end of the year.

FIGURE 1: ANZ OCR FORECAST AGAINST MARKET IMPLIED FORWARD 3MTH BILL RATES AND RBNZ 90 DAY BILL PROJECTIONS



Source: ANZ, Bloomberg

Our forecasts have the RBNZ keeping the OCR on hold until late 2016, at which time we expect the OCR to be lifted gradually. Our core economic projections are still upbeat, which also comes with the bias for interest rates to move up – at some stage. That's the "happy-clappy" scenario, so it's subject to a lot of developments unfolding as forecast. The near-term risk profile is different; it's pointed lower (courtesy of low inflation here and abroad, slumping commodity prices, China risks

and the elevated TWI), and markets are naturally pricing some chance of cuts near-term.

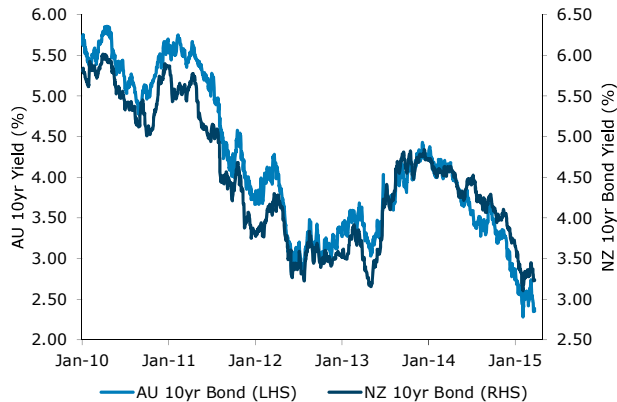
The hurdle to a rate cut might be high but we cannot rule out the possibility. Unless the RBNZ actually does cut, there is a limit to how much lower key rates like the 2 year swap rate can go. The obvious catalyst for a cut is something from offshore, which is certainly a risk but not something we are forecasting at present. This brings us to the question of what it could take locally to get the RBNZ in play, remembering that the economic story we've detailed earlier is reasonably solid. Our impression is that the RBNZ is not seriously entertaining the idea of a lower OCR yet, but we can identify "four pronged" criteria for bringing them into play. Briefly, these are:

1. **Continued elevation in the NZD TWI.** This condition is basically met.
2. **A continued period of subdued inflation.** We're watching our ANZ monthly inflation gauge closely – core prices were flat in February and tend to corroborate the story that outside of housing and government charges (tobacco taxes, tertiary fees and the like), inflation is well below target. The RBNZ appears to be viewing low inflation as driven more by cyclical/transitory forces; we view both transitory and structural forces as being at play. Inflation expectations surveys will provide key insights on how pricing behaviour is evolving, but one problem here is that such surveys tend to be strongly influenced by current inflation rates. The longer core inflation is low, the more pressure will come on the RBNZ. Remember, they have an inflation target, not a growth or a housing one!
3. **A failure of dairy prices to rebound materially, which would dent both the economic outlook and the outlook for inflation.** GDT auction prices recovered well in December and January, but have declined in March. There's not much wiggle room left for dairy farmers and we can ill-afford another season of low prices.
4. **A substantial non-OCR response to rising house prices.** The RBNZ is certainly hinting at action, but momentum in the market is strong.

There are other permutations too, but the above captures a simple framework for thinking about a localised story that could bring the RBNZ into play.

INTEREST RATES

FIGURE 2: AUSTRALIAN AND NEW ZEALAND 10-YEAR GOVERNMENT BOND YIELDS

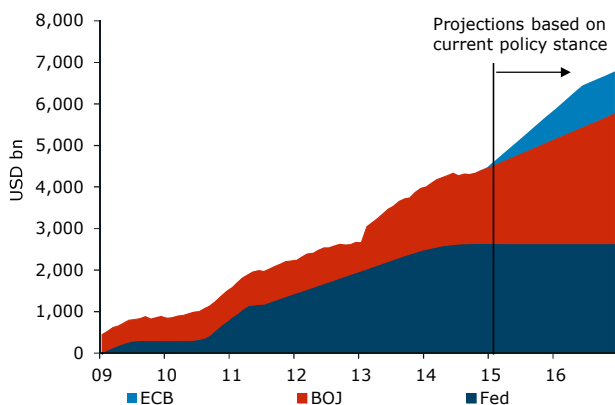


Source: ANZ, Bloomberg

LONG-END RATES LOWER, CURVE FLATTER

While the short end of the yield curve is anchored to the OCR, the long end is not. The long end is also more heavily influenced by global yield moves than domestic policy settings. **Global bond yields therefore hold the key.** With the European Central Bank (ECB) engaging in €60bn of QE per month from March, and the Bank of Japan (BOJ) committed to its circa USD 55bn per month QE programme, we expect global bond yields to remain under sustained downward pressure, and global yield curves to continue flattening.

FIGURE 3. G3 SOVEREIGN BOND PURCHASES



Source: ANZ estimates, Bloomberg

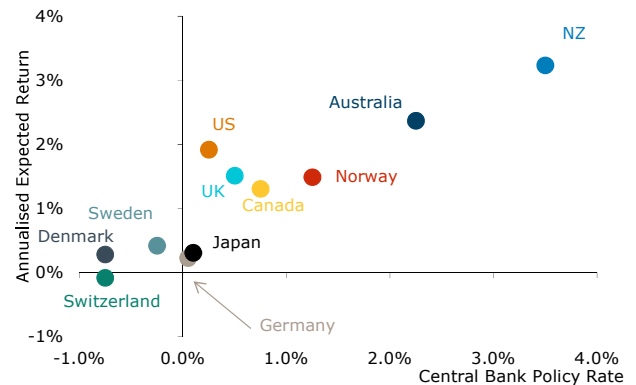
Although the Fed has ended its QE programme, the ECB and BOJ are basically stepping in where the Fed left off.

ABSOLUTE VERSUS RELATIVE

Our forecasts have US bond yields holding steady at around 2%, and Australian 10-year bond yields falling from their current level of around 2.4% to 2.1% by the end of the year. **We expect New Zealand bond yields to narrow in against**

both the US and Australia, and the yield curve to flatten as 10-year yields fall from around 3.2% currently to 2.8% by year-end.

FIGURE 4. G10 10 YEAR BOND YIELDS VERSUS POLICY RATES



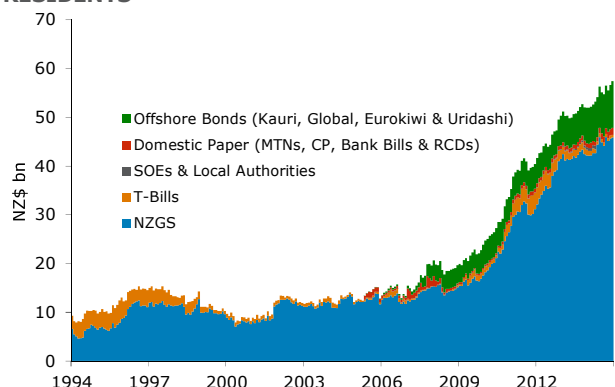
Source: ANZ estimates, Bloomberg

Our expectation of much lower yields and a flatter curve is reasonably aggressive, particularly with New Zealand 10-year yields already close to historic lows and trading below the OCR. However, while they are low relative to their own history, they are significantly higher than in other developed markets – particularly now that 10-year bond yields in key markets like Germany and Switzerland are either close to, or below, zero. New Zealand bonds – and other assets such as equities and commercial property yields – are not being driven by local absolutes, it is about offshore relativities as the search for yield and return continues.

SOLID DEMAND

Partly as a consequence of their high yields, offshore demand for New Zealand dollar bonds is running hot, with non-resident holdings at a record high in February.

FIGURE 5. NZD DEBT SECURITIES HELD BY NON-RESIDENTS



Source: ANZ, RBNZ, Bloomberg

INTEREST RATES

Domestic demand for long-end bonds is also likely to be solid into mid-April, when the April 2015 bond matures, lengthening the duration of the ANZ NZX Government Bond Index by approximately 0.56 years. Analysis of past NZGS maturities going back to 2005 shows a fairly consistent pattern of bond outperformance in the weeks leading up to the maturity (see table below). Indeed, bonds tend to perform strongly on an outright basis, on a spread to both Australia and the US. While there has been some variability around individual outcomes, as a general rule, the bonds performed better over the two weeks prior to maturity than they did over the both the week prior and the maturity day itself. With the April 2015 bond set to mature on the 15th of April, if a similar pattern is observed this year,

expect NZGS yields to drift lower, spreads to narrow, the curve to flatten, and swap spreads to widen.

TABLE 1. 10 YEAR NZGS PERFORMANCE AROUND BOND MATURITIES – PAST DECADE (BPS CHANGE)

Period	NZGS Yield	NZ/AU Spread	NZ/US Spread	vs. Swap	Average
2 week change	-20	-7	-18	-12	-14
1 week change	-10	-9	-14	-5	-9
1 day change	-3	0	-4	-2	-2

Source: ANZ estimates, Bloomberg

NEW ZEALAND INTEREST RATE FORECASTS (END OF QUARTER)

Quarter	OCR	90-day	2-year swap	5-year swap	10-year bond	US 10-year bond	AU 10-year bond
Dec-13	2.50	2.7	3.8	4.6	4.7	3.0	4.2
Dec-14	3.50	3.7	3.8	4.0	3.7	2.2	2.7
Mar-15 (e)	3.50	3.8	3.6	3.4	3.0	2.0	2.4
Jun-15 (f)	3.50	3.8	3.6	3.3	2.8	2.0	2.4
Sep-15 (f)	3.50	3.8	3.7	3.3	2.8	2.0	2.3
Dec-15 (f)	3.50	3.8	3.7	3.3	2.8	2.0	2.1
Mar-16 (f)	3.50	3.8	3.8	3.4	2.9	2.1	2.4
Jun-16 (f)	3.50	3.8	3.8	3.5	3.1	2.3	2.8
Sep-16 (f)	3.50	3.8	3.9	3.6	3.2	2.4	3.0
Dec-16 (f)	3.75	4.2	4.0	3.7	3.3	2.5	3.3
Mar-17 (f)	4.00	4.3	4.1	3.8	3.4	2.5	3.3
Jun-17 (f)	4.00	4.3	4.1	3.9	3.4	2.5	3.4
Sep-17 (f)	4.25	4.7	4.3	3.9	3.5	2.5	3.5
Dec-17 (f)	4.50	4.8	5.0	4.0	3.5	2.5	3.5

ECONOMIC FORECASTS

	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
Real Gross Domestic Product												
Total GDP, QPC	1.0	0.7	0.9	0.8	0.5	0.7	0.9	0.8	0.7	0.6	0.6	0.6
Total GDP, APC	3.1	3.3	3.2	3.5	3.0	3.0	3.0	3.0	3.2	3.1	2.8	2.6
Total GDP, AAPC	2.5	2.9	2.9	3.3	3.3	3.2	3.1	3.0	3.0	3.0	3.0	2.9
Real GDP Components												
Private Consumption, QPC	0.3	1.2	1.4	0.6	0.8	0.8	0.7	0.8	0.6	0.6	0.6	0.6
Private Consumption, AAPC	2.9	2.8	3.0	3.2	3.7	3.9	3.6	3.5	3.2	3.0	2.9	2.7
Public Consumption, QPC	1.2	1.0	0.4	0.6	-0.2	0.0	0.1	0.1	0.1	0.2	0.2	0.2
Public Consumption, AAPC	2.7	3.5	3.5	3.6	3.1	2.2	1.6	0.8	0.4	0.3	0.4	0.5
Residential Investment, QPC	10.7	-0.4	0.2	5.2	0.2	3.1	3.0	2.0	1.6	1.6	1.0	0.6
Residential Investment, AAPC	16.7	18.1	16.3	16.7	12.6	10.2	10.5	8.7	9.9	9.7	8.3	7.4
Other Investment, QPC	-0.4	2.5	3.9	-1.4	2.3	1.1	1.4	1.2	0.9	0.9	0.9	0.8
Other Investment, AAPC	8.5	8.9	7.4	6.2	5.9	5.9	5.4	5.7	5.0	4.6	4.7	4.1
Gross National Expenditure, QPC	1.0	2.3	0.9	0.5	0.9	1.0	0.9	0.9	0.9	0.9	0.9	0.9
Gross National Expenditure, AAPC	4.6	5.0	4.5	4.7	4.7	4.2	4.1	3.8	3.8	3.8	3.8	3.8
Exports, QPC	3.1	-3.8	-0.1	6.1	-1.6	-1.3	-0.3	0.5	0.7	0.8	0.8	0.8
Exports, AAPC	2.6	1.3	1.6	5.1	0.4	3.0	2.8	-2.6	-0.3	1.8	2.8	3.1
Imports, QPC	0.2	1.9	3.0	0.3	3.0	0.2	1.2	0.9	0.8	0.7	0.7	0.7
Imports, AAPC	6.1	8.0	8.9	8.0	8.0	7.5	6.3	6.2	4.9	4.2	3.8	3.2
Prices												
Headline CPI, QPC	0.3	0.3	0.3	-0.2	-0.3	0.4	0.5	0.0	0.4	0.5	0.6	0.2
Headline CPI, APC	1.5	1.6	1.0	0.8	0.2	0.3	0.4	0.6	1.3	1.4	1.6	1.8
Non-tradable CPI, QPC	1.1	0.4	0.5	0.3	0.9	0.5	0.6	0.5	1.0	0.6	0.9	0.6
Non-tradable CPI, APC	3.0	2.7	2.5	2.4	2.2	2.3	2.4	2.5	2.7	2.8	3.1	3.2
Tradable CPI, QPC	-0.7	0.2	0.1	-0.8	-1.8	0.2	0.3	-0.5	-0.4	0.3	0.3	-0.3
Tradable CPI, APC	-0.6	0.1	-1.0	-1.3	-2.3	-2.3	-2.1	-1.8	-0.4	-0.3	-0.3	-0.1
External Accounts												
Ann. Balance on Goods, % of GDP	1.2	1.3	1.3	0.5	-0.5	-0.9	-1.1	-1.3	-1.3	-1.4	-1.4	-1.5
Ann. Balance on Services, % of GDP	0.5	0.6	0.6	0.8	0.9	1.0	1.0	1.0	1.0	1.1	1.1	1.2
Ann. Balance on Invisibles, % of GDP	-4.3	-4.4	-4.5	-4.5	-4.5	-4.4	-4.5	-4.5	-4.5	-4.6	-4.6	-4.6
Ann. CAB, % of GDP	-2.6	-2.5	-2.6	-3.3	-4.1	-4.4	-4.6	-4.8	-4.8	-4.9	-4.9	-5.0
Net Intl. Invt. Position, % of GDP	-65.5	-64.5	-64.2	-64.7	-65.7	-66.6	-67.1	-67.5	-67.8	-68.1	-68.5	-68.9
Terms of Trade (SNA basis)												
Export Prices, QPC	0.1	-3.1	-7.9	5.2	-4.5	-1.6	1.3	1.0	1.2	0.8	1.1	1.1
Export Prices, APC	11.5	6.6	-7.9	-6.0	-10.3	-8.9	0.2	-3.8	1.9	4.4	4.3	4.3
Import Prices, QPC	-9.8	-0.5	7.6	-0.1	0.1	-3.8	-0.6	-0.2	-4.7	0.5	1.2	1.2
Import Prices, APC	-2.5	-3.6	-4.7	-3.5	7.0	3.5	-4.3	-4.5	-9.1	-5.0	-3.3	-3.3
Terms of Trade, QPC	11.0	-2.6	-14.4	5.3	-4.5	2.3	1.8	1.2	6.3	0.3	-0.1	-0.1
Terms of Trade, APC	14.4	10.6	-3.4	-2.6	-16.2	-12.0	4.7	0.7	12.0	9.9	7.8	7.8
Labour Market												
Employment, QPC	1.0	0.4	0.9	1.2	0.6	0.5	0.4	0.4	0.3	0.3	0.3	0.3
Employment, APC	3.7	3.7	3.2	3.5	3.1	3.3	2.9	2.1	1.8	1.5	1.4	1.2
Labour Force, QPC	1.0	0.0	0.7	1.5	0.4	0.5	0.4	0.3	0.2	0.3	0.3	0.3
Labour Force, APC	3.4	2.7	2.4	3.2	2.6	3.1	2.8	1.6	1.4	1.2	1.1	1.1
Unemployment Rate, sa	6.0	5.6	5.4	5.7	5.5	5.4	5.4	5.3	5.2	5.1	5.1	5.1
Participation Rate, sa	69.3	68.8	69.0	69.7	69.6	69.6	69.6	69.6	69.5	69.5	69.5	69.5
QES Private Sector Wages, APC	2.9	3.1	2.9	3.0	3.1	3.1	3.2	3.2	3.3	3.3	3.3	3.4
QES Public Sector Wages, APC	1.8	1.3	1.0	2.0	1.8	2.1	2.0	1.8	1.6	1.7	1.6	1.8

Forecasts in bold

QPC – quarterly % change

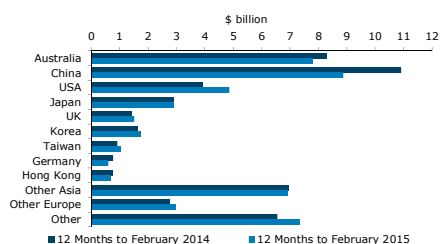
APC – annual % change

AAPC – annual average % change

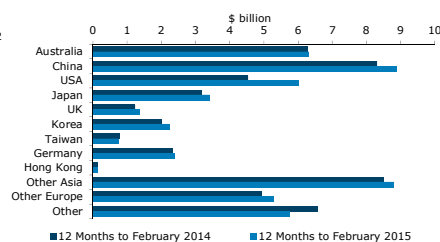
sa – seasonally adjusted

KEY ECONOMIC INDICATORS

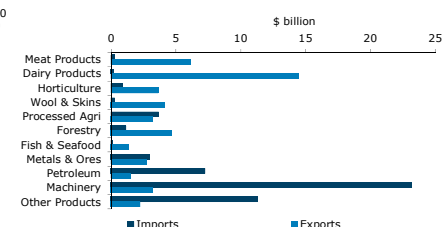
NZ EXPORTS



NZ IMPORTS



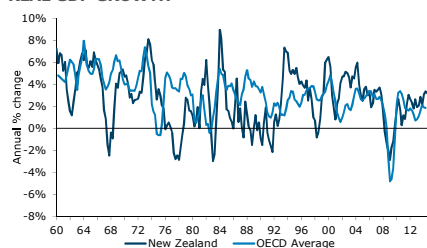
NZ EXPORTS AND IMPORTS BY SELECTED COMMODITIES 12 MONTHS TO FEBRUARY 2015



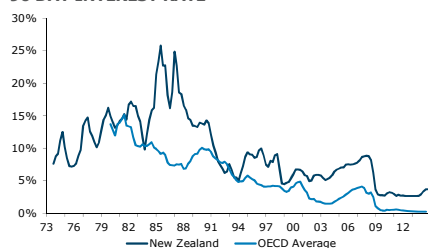
NEW ZEALAND COMPARED TO MAIN TRADING PARTNERS (LATEST AVAILABLE FIGURES)

	NZ	Australia	USA	Japan	UK	China	Germany	South Korea	Taiwan	Malaysia	Hong Kong	Singapore	Indonesia
Population, in millions	5	24	321	127	64	1,369	81	51	23	31	7	5	255
Area in 1,000 km ²	268	7,741	9,827	378	244	9,597	357	100	36	330	1	1	1,905
Inhabitants per km ²	17.1	3.1	32.6	335.8	263.2	142.6	226.7	515.0	651.6	92.6	6,604	7,847	134.1
GDP, in billion NZD	238	1,726	84,765	21,896	3,558	13,155	4,593	1,684	640	393	353	371	1,071
Change in real terms (yr-on-yr %)	3.3	2.7	2.4	-0.1	2.5	-4.2	1.6	3.4	3.6	6.0	2.3	2.9	5.0
Nominal GDP per capita in NZD	52,055	72,556	264,347	172,548	55,509	9,610	56,757	32,807	27,285	12,868	48,620	67,913	4,194
NZ exports to ..., NZDm (FOB)	n/a	7,801	4,856	2,897	1,505	8,870	591	1,749	1,024	988	691	910	903
Share of NZ Exports (%)	n/a	16.5	10.3	6.1	3.2	18.8	1.3	3.7	2.2	2.1	1.5	1.9	1.9
NZ imports from , NZDm (VFD)	n/a	6,305	5,998	3,402	1,348	8,890	2,390	2,239	735	2,113	125	2,073	848
Share of NZ Imports (%)	n/a	12.3	11.7	6.6	2.6	17.3	4.7	4.4	1.4	4.1	0.2	4.0	1.7
Current Account balance (% of GDP)	-3.3	-2.4	-2.3	0.5	-5.6	2.1	7.3	6.1	12.5	5.5	2.5	19.1	-3.0

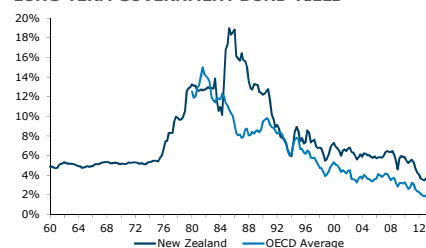
REAL GDP GROWTH



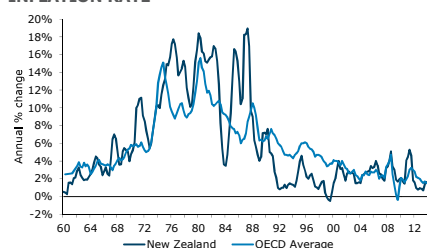
90 DAY INTEREST RATE



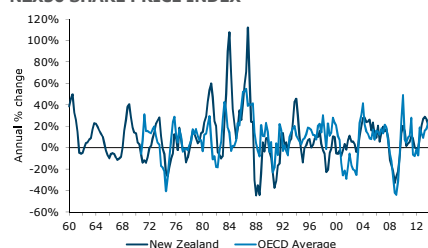
LONG-TERM GOVERNMENT BOND YIELD



INFLATION RATE



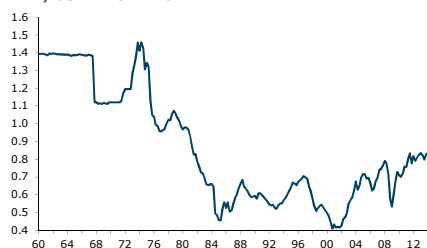
NZX50 SHARE PRICE INDEX



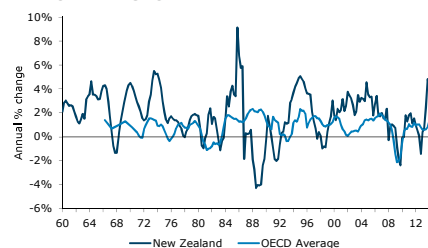
CURRENT ACCOUNT BALANCE



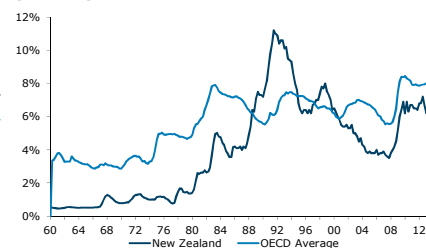
NZD/USD EXCHANGE RATE



EMPLOYMENT GROWTH



UNEMPLOYMENT RATE



Source: ANZ, Statistics NZ, Bloomberg, OECD

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