



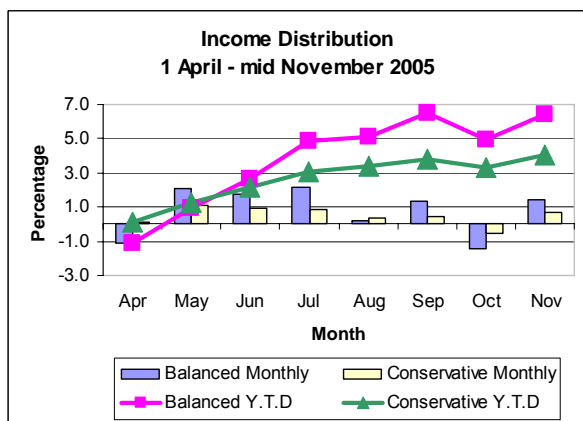
WATERFRONT INDUSTRY SUPERANNUATION FUND

Investment Update

Investment performance for the seven months ended October has been excellent, driven primarily by sharemarkets and property. The Fund has recorded the following net returns for the period:

Balanced Strategy 4.94%
 Conservative Strategy 3.29%

The estimated return to mid November is also positive.



Overseas Shares

Gross return YTD (to 31/10) 8.64%

The major overseas sharemarkets, with the exception of the US, have had markedly improved returns over the year to date. Generally strong economic reports have tended to outweigh the impact of rising oil costs. The star performing sharemarket has been Japan which rose 22% in the September quarter. This follows years of poor performance from that market.

The strength of the NZ dollar has continued to reduce the returns from overseas shares except for the US.

For example for the period 1.4.05 to 31.10.05:

	Local Currency	NZ dollars
USA	+3.3%	+5.2%
UK	+9.5%	+4.5%
Japan	+23.6%	+15.7%
Australia	+9.9%	+8.1%

The Fund's 50% currency hedge continues to buffer the impact of movements in the New Zealand dollar.

Australasian Shares

Gross return YTD (to 31/10) 7.75%

Performance from the NZ and Australian sharemarkets has continued to be very good. However the outlook is not as encouraging as in overseas markets. Business confidence is falling as is the investment and employment growth outlook. There are a number of negative factors affecting NZ at the moment:

- high exchange rate
- falling terms of trade
- rising mortgage rates
- low immigration
- high oil prices.

Property

Gross return YTD (to 31/10) 10.30%

The demand for institutional grade property continues to increase. The commercial property market is experiencing strong rental growth across all sectors and there appears to be room for further growth.

Bonds & Cash

Gross returns YTD (to 31/10)

NZ Bonds 4.16%
 Global Bonds 4.58%
 Cash 4.13%

Bond (or fixed interest) returns are being affected by rising interest rates around the world. To date the impact has been largely on short-term rates with the expected rise in long-term interest rates still to come.

The NZ cash rate has been raised to 7.0% and is expected to rise further while the US cash rate is expected to reach 4.25% by the end of the year. The main factor behind the interest rate rises is concern over rising inflation rates. □



Asset Allocation

At their October meeting the Trustees decided to change the Fund's asset allocation. In both the Balanced and Conservative Strategies the allocation to NZ Bonds has been decreased and the allocation to Global Bonds increased. The new asset allocations are:

	Balanced	Conservative
NZ Equities	12.5%	5.0%
Global Equities	32.5%	10.0%
Property	10.0%	5.0%
NZ Bonds	10.0%	15.0%
Global Bonds	30.0%	45.0%
Cash	5.0%	20.0%

This decision is part of the ongoing review of investment strategy that the Trustees have been undertaking during the past year.

The Trustees see more opportunity to earn a higher return without much increase in risk by investing more in Global Bonds. This is mainly because of the opportunity to diversify away from government stock. There is a much wider range of fixed interest securities available from the corporate sector and mortgage agencies than is the case in NZ. These pay higher interest rates than government stock while still being investment grade securities. □



Taxation of Investment Income

In our August newsletter we wrote about the proposed changes to the taxation of investment income. As indicated, the Trustees made a submission on the proposals. Like the rest of the superannuation industry we are now waiting for a response from government. □

We have moved – but not far!

At the beginning of October the Fund office moved. We did not move far, just to a much smaller area on the 5th Floor of Waterside House.

All our contact details are the same. But if you're visiting turn right when you come out of the lift. □

Regular Benefit Payments

Don't forget that when you retire one of your options is to receive a regular monthly payment. This is not a pension. You decide the amount to be paid to you each month and you can stop, start or change the amount as you wish. Receiving regular payments is a great way to budget for your normal expenses.

If you are nearing retirement or already retired and are interested in this option please contact Susan or Kirstie at the Fund office. □

Introducing our New Trustee

In August of this year the Fund's participating employers elected a new Trustee – Kathy Meads. Kathy is from the Lyttelton Port Company where she has held the position of Chief Financial Officer (CFO) for the past year. She has an extensive background in accounting and finance, most recently as CFO of Ngai Tahu Holdings, and as a director of a number of its subsidiary companies.

Kathy replaces Geoff Plunket (from Port Otago) who had served as a Trustee for the preceding 3 years. □



*Merry Christmas
and a
Happy New Year
from the
Trustees and Staff*