

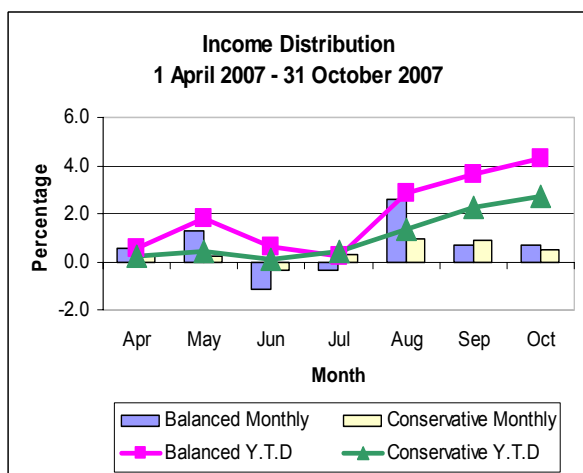


WATERFRONT INDUSTRY SUPERANNUATION FUND

Investment Performance

Investment Performance for the first seven months of the year was relatively steady. The Fund has recorded the following returns to the end of October net of tax at 33%:

Balanced Strategy	4.29%
Conservative Strategy	2.75%



Overseas Shares

Gross return YTD (to 31.10.07) 7.60%

By the middle of the year many overseas sharemarkets has reached record highs with particularly strong growth in Europe and Asia. However, since the middle of the year when the fallout began from the sub-prime mortgage market, sharemarkets have become much more volatile. Stocks in the financial sector have been particularly weak following the large write-downs many have had to make in their loan portfolios.

The Fund's 50% currency hedge continues to reduce the impact of the strong New Zealand dollar on the Fund's global share returns.

The performance of overseas sharemarkets reflects:

- nervousness over the sub-prime mortgage market
- moves by central banks to ease the credit crunch by reducing interest rates and / or increasing the money supply
- strong economic growth in parts of Europe and Asia.

Australasian Shares

Gross return YTD (to 31.10.07) 2.08%

The New Zealand sharemarket has broadly followed overseas trends, becoming very volatile in the last few months. Shares in large companies have performed much better than small companies as investors have looked for the additional security that they provide. Merger and Acquisition activity, around Sky City and Auckland Airport in particular, have helped support share prices. A number of companies have announced reduced profit expectations as the high New Zealand dollar and high interest rates reduce their profit margins.

Performance in the Australian sharemarket has continued to be very strong returning 23% in NZD terms. The good performance has been driven by very high commodity prices.

Bonds

Gross returns YTD (to 31.10.07)

Global Bonds	3.29%
NZ Bonds	2.89%
Cash	4.82%

The dominant feature in global bond markets this year has been the credit crunch created by problems in the sub-prime mortgage market. This has led to a higher level of investment in government bonds as a safer option. Demand has meant that yields on government bonds have fallen.

While central banks overseas have generally lowered interest rates or taken other steps to increase liquidity in bond markets, in New Zealand the cash rate has continued to rise and now stands at 8.25%, with indications that short-term rates will not fall anytime soon. The local market is also experiencing credit problems – demonstrated by the collapse of a number of finance companies and is also seeing a flight to safer government stock. While the Fund does not invest in these low grade bonds it does experience the flow-on effects.

Property

Gross return YTD (to 31.10.07) 14.36%

The performance from the property sector over the last 7 months has continued to be very strong. Low vacancy rates coupled with strong investor demand continue to underpin the property sector. Our managers expect ongoing rental growth and tenant demand for higher quality space. □



Having your PIE

From 1 October 2007 the Fund has become a PIE or Portfolio Investment Entity. This means that the Fund will now pay tax on behalf of its members at their Prescribed Investor Rate or PIR rather than at a flat 33% as before. Your PIR will be either 19.5% or 33%. The 33% rate will reduce to 30% from 1 April 2008. To qualify for a 19.5% tax rate you must have had in either of the last two tax years (years ending 31 March):

- taxable income (wages, interest, rents etc) less than \$38,000, and
- taxable income plus PIE allocated income less than \$60,000

Currently only the first test – taxable income less than \$38,000 – applies. You will receive your first amounts of PIE allocated income in the year ending 31 March 2008. The amount allocated by the Fund will be included in your annual benefit statement.

If your tax rate should be 19.5% and you have not sent us a PIR tax declaration please do so. We cannot back date your tax rate but we can apply it to your income allocation from the time we receive your new declaration. Forms can be obtained from the Fund office or downloaded from our website www.wisf.co.nz.

Other tax changes have also been introduced this year:

- some of our investments such as New Zealand and most Australian shares and property will have more favourable tax treatment than previously
- we will pay a little more tax on our share investments outside Australasia. □



Benchmark Change

The changes in the taxation of investment income that have been legislated this year caused the Trustees to review all the Fund's investments:

- the asset allocations
- the types of investment
- the fund managers.

The review is still in progress. However the first decisions have been taken.

The benchmark asset allocation for the Balanced Strategy is being altered to allocate 5% more to shares and 5% less to global bonds. The additional allocation to shares is being split equally between Australasian shares and global shares.

The new benchmark asset allocation for the Balanced Strategy is:

Australasian shares	15%
Global shares	35%
Property	10%
NZ Bonds	10%
Global bonds	25%
Cash	5%

No changes are being made to the Conservative Strategy asset allocation. □

New Global Share Managers Appointed

For several years now the Fund has invested passively in global shares, primarily because they were tax advantaged. With the changes in the taxation of investment income introduced this year, this is no longer the case. Passive and active investments for the Fund are now taxed the same way. The Trustees have therefore decided to move to active global share management as that is expected to deliver higher returns. AllianceBernstein and AMP have been appointed to each manage half of the Fund's global shares. □



Wiks take up rate lags behind the rest of New Zealand !

Across New Zealand KiwiSaver has had a much higher take up rate than expected by the government - 316,000 people have joined in the first five months.

Why aren't more of our members interested and why should they be?

Is it inertia? Is it the fact that you are already members of an excellent superannuation scheme and think that is enough? Are you only thinking about the short-term?

Whatever the reason you haven't joined in the first six months of KiwiSaver, if you are under age 65, think again.

Use government incentives to increase your savings!

Under KiwiSaver, the combination of:

- the \$1,000 kick-start
 - matching tax credits on your contributions of up to the equivalent of \$20 per week
 - exemption from SSCWT on matching employer contributions to a maximum of 4% of your wages
 - fee subsidy of \$40 per year
- compounds to a significant increase in your savings over time.

Wiks provides a "best of both worlds" opportunity

You can obtain the benefit of the government incentives without increasing your contribution rate.

With the majority of our members already contributing at least 7% of their earnings, there is an excellent opportunity for you to split your contributions between the superannuation fund and the KiwiSaver. Part of your superannuation contributions will then

be in a tax-incentivised (locked-in) account. The rest of your savings would still be available on retirement, redundancy, withdrawal etc from the waterfront industry before the age of eligibility for NZ Superannuation.

Alternatively you may choose to increase your contribution rate and pay the additional contributions to Wiks to gain the incentives without affecting your existing superannuation arrangements.

Wiks is also open to employees of our participating employers who may not be eligible to join the superannuation fund because their employment agreements do not provide for superannuation. This is a great opportunity for them to start their retirement savings.

Deferred beneficiaries under the age of 65 may also join. Our minimum contribution of a \$500 lump sum or \$50 per month will secure the \$1,000 kick start, matching tax credits and fee subsidy.

Everyone's circumstances are different but KiwiSaver membership should be a classic "no-brainer" for the majority of our members. □

Website



Member's usage of the Fund's website is increasing steadily:

- 34% of members have now logged on to their accounts at least once
- the site receives an average of 240 unique visitors (i.e. people who visit at least once) each month.

Unfortunately we have had to temporarily suspend the update of members' account balances while the new systems to allocate income and calculate tax under the PIE regime are completed. Rest assured – "normal service will resume shortly". □



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