

# Aon Master Trust

Annual Report 2018



# Report of the Manager

Dear members

We are pleased to bring you the annual report for the Aon Master Trust (Scheme) for the year ended 31 March 2018.

## Investment markets over the year

After a period of fairly steady growth in asset prices through most of 2017, volatility returned to capital markets in the first three months of 2018, leading to negative returns from share markets and only small positive returns from fixed interest investments. Fortunately, the strong returns which were achieved in the previous nine months meant that returns for the full year were reasonably robust. Growth-oriented funds outperformed the more conservative funds as growth assets (primarily shares and property) fared better than cash and fixed interest investments over the year, despite underperforming in the last quarter.

The volatility that investors experienced in the first quarter of 2018 was a useful reminder that asset prices do not go up in a straight line. In fact, the period of very low volatility in share markets that has been experienced over the last five years or so is very unusual. Perhaps we are just starting to see a move back towards a more normal level of volatility.

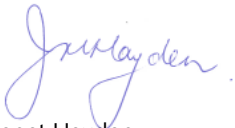
It is hard to pinpoint exactly why volatility has returned after such a long period of calm. The catalyst for the sell-off in share markets in early February 2018 was the announcement of a higher than anticipated level of wage inflation in the US. But the number itself was not significantly higher than expected – indeed with unemployment in the US running at a 17 year low, some evidence of wage inflation should not really have come as a surprise. So why the extreme reaction?

The recovery in share markets since the Global Financial Crisis of 2008/9 has come about as a result of slowly improving economic fundamentals and very accommodative monetary policy (i.e. very low interest rates accompanied by reserve banks aggressively buying fixed interest investments in order to keep yields low). This combination of policies has provided a tailwind that has allowed asset prices (in particular share prices) to outpace economic growth. Now that economic growth looks healthy enough to sustain some monetary tightening (rising interest rates and the end of bond buying by reserve banks), asset prices face a commensurate headwind. Any hint of higher than expected inflation makes investors nervous that the monetary tightening headwind will accelerate, even if the underlying economy remains healthy; and this is what we saw in February.

There are two other reasons for the increase in volatility – and these also originate in the US. Firstly the fiscal stimulus (tax cuts accompanied by additional borrowing and spending) that Donald Trump's presidency is implementing at this late stage in the economic cycle. This goes against traditional economic theory which would suggest fiscal tightening is more appropriate. And running alongside this is the prospect of a trade war between the US and China (and others), which is impacting heavily on share markets.

If we add into the mix political uncertainty in Europe, ongoing Brexit negotiations in the UK, a pick-up in economic growth and inflation in Japan and the oil price back above \$70 per barrel and seemingly moving higher, it is likely that heightened volatility is here to stay. Ultimately, the outlook for the global economy is driving markets. In the short to medium term we are cautious about this. Inflation creeping up, rising interest rates in economies used to ultra-low rates and diminished liquidity as central banks tighten all point to the potential for asset prices to correct at some point. Trade and geopolitical stress add to the short term risks.

As we continually point out, your workplace savings scheme is a long term investment and investment managers need to be able to deliver in all economic conditions. They need to constantly balance risk and reward to ensure that members capture investment gains when things go well but are not overexposed when asset prices fall.



Janet Hayden  
on behalf of the Manager

**Superannuation Management Nominees Limited**



# Details of Scheme

The name of the Scheme is the Aon Master Trust. The Scheme is classified as a restricted workplace savings scheme. For the purposes of registration, at 31 March 2018 the Scheme also had complying superannuation fund and legacy scheme sections.

The Aon Master Trust is a defined contribution scheme.

Superannuation Management Nominees Limited is the manager (Manager) and trustee of the Aon Master Trust.

To invest in the Scheme, a member's employer must have established a workplace savings plan (Plan) under the Scheme.

The date of the most recent product disclosure statement (PDS) is 5 June 2018. The PDS has an "open for applications" status on the Disclose register. For those Plans that are open for membership, a supplement accompanies the PDS which includes important information about that Plan.

The latest fund updates for each fund within the Scheme are dated 31 March 2018. The latest financial statements for the Scheme and auditor's report have been lodged on the Disclose register and are available at [disclose-register.companiesoffice.govt.nz](http://disclose-register.companiesoffice.govt.nz) or at [aonhewitt.co.nz](http://aonhewitt.co.nz).

## Information on contributions and scheme participants

### Membership summary

The following table sets out membership information for the year ended 31 March 2018.

		Members
<b>Members at 1 April 2017</b>		<b>2,553</b>
Total new members		164
Transfers from other schemes	0	
Other new members	164	
Total exits		269
Retirement	26	
Death	5	
Transfers to other schemes	9	
Other withdrawals	229	
<b>Members at 31 March 2018</b>		<b>2,448</b>

## Contribution information

The following table sets out the contribution arrangements for the year ended 31 March 2018.

Membership	Number of members at 1 April 2017	Number of members at 31 March 2018
Contributing members	2,322	2,188
Non-contributing members	231	260

The total amount of contributions received during the year ended 31 March 2018 was \$15,362,000 in respect of 2,422 members. The following table provides further information on the types of contributions to which the total amount relates.

Contributions	Amount \$000	Number of members
Member contributions	\$6,127	2,422
Employer contributions	\$7,851	2,350
Member voluntary additional contributions	\$1,384	703

## Amount of accumulations

The following table sets out the total amount of accumulations and membership it relates to for the year ended 31 March 2018.

Date	Amount \$000	Number of members
1 April 2017	191,048	2,553
31 March 2018	192,946	2,448

# Changes relating to the Scheme

The Scheme's PDS and the statement of investment policy and objectives (SIPO) were both updated during the year ended 31 March 2018, mainly to reflect changes in the target mix and permitted ranges of some of the Scheme's funds. Since 31 March 2018, the PDS and SIPO were updated (effective 5 June 2018) mainly to reflect a change to the target mix and permitted ranges of the Nikko Balanced Fund.

There were no related party transactions entered into during the year ended 31 March 2018 that were not on arm's length terms.

## Other information for particular types of managed funds

### Withdrawal information

The following table sets out the permitted withdrawals made during the year ended 31 March 2018.

Type of withdrawal	Amount \$000	Number of members
CSF transfers to KiwiSaver schemes	963	9
CSF withdrawal	685	6
Death benefit	301	5
Dismissal benefit	0	0
In-service withdrawal	3,049	125
Leaving service benefit	3,271	152
Retirement benefit	7,730	26
Retrenchment benefit	7,369	71
Transfers to other workplace savings schemes	0	0

## Investment returns

The performance of our underlying investment managers gets regularly reviewed by the Manager with the assistance of our investment consultant. The purpose of these reviews is to monitor the performance of our underlying investment managers taking into consideration the amount of risk the underlying investment manager is taking for the return it delivers. Asset mixes for the Nikko, Milford and Russell funds are determined by the respective underlying investment managers, but are reviewed by the Manager to ensure they continue to be appropriate for the Scheme.

The investment returns for each of the Scheme's funds for the year to 31 March 2018, and the unit prices at the start and end of the year, are as follows:

Fund	Investment return (net of fund charges but before tax)	Unit price at start of year (1 April 2017) \$	Unit price at end of year (31 March 2018) \$
ANZ Cash	1.89%	14.9341	15.2166
ANZ Conservative	3.73%	20.4764	21.2399
ANZ Balanced	6.28%	23.5225	24.9990
ANZ Growth	7.63%	24.3443	26.2014
Milford Active Growth Wholesale	13.18%	2.9596	3.3496
Nikko Cash	2.20%	13.9728	14.2805
Nikko Conservative	3.63%	15.4162	15.9751
Nikko Balanced	10.25%	16.8599	18.5880
Nikko Growth	13.65%	20.7759	23.6126
Russell LifePoints® Conservative	5.34%	9.0555	9.5391
Russell LifePoints® Moderate	7.12%	8.9382	9.5749
Russell LifePoints® Balanced	8.81%	8.5093	9.2587
Russell LifePoints® Growth	10.09%	8.4258	9.2758
Russell LifePoints® Target Date 2025	6.75%	8.4092	8.9770
Russell LifePoints® Target Date 2035	8.61%	8.2939	9.0081
Russell LifePoints® Target Date 2045	9.95%	8.0375	8.8375

The following funds are still provided but are no longer available for new members to select.

Fund	Investment return (net of fund charges but before tax)	Unit price at start of year (1 April 2017) \$	Unit price at end of year (31 March 2018) \$
ANZ Capital Stable	2.81%	18.7182	19.2435
AMT NZ Bond	3.86%	16.1655	16.7888
AMT International Bond	2.74%	22.4416	23.0565
AMT Australasian Shares	12.83%	23.6267	26.6574
AMT International Shares	13.88%	27.7593	31.6122
AMT Australasian Property	5.62%	26.0679	27.5331
AMT International Property	-1.65%	13.2859	13.0665
Russell LifePoints® Target Date 2015	5.32%	8.6623	9.1234

The formula used to calculate the investment performance is:

$$\frac{\text{Unit price at end of year}}{\text{Unit price at start of year}} - 1$$

Unit prices are net of those fund charges reflected in the unit price, but before tax and any fund charges met by withdrawing some of your units on a monthly basis. The unit price at the start of the year is the closing price for 31 March 2017.

## Manager's statement

The Manager states that:

- All the contributions required to be made to the Scheme in accordance with the terms of the governing document of the Scheme have been made;
- All the benefits required to be paid from the Scheme in accordance with the terms of the governing document of the Scheme have been paid; and
- The market value of the Scheme property at 31 March 2018 equalled or exceeded the total value of benefits that would have been payable had all members of the Scheme ceased to be members at that date and had provision been made for the continued payment of all benefits being paid to members and other beneficiaries as at 31 March 2018.



## Complying superannuation fund

The value of assets and number of members within the complying superannuation fund section of the Aon Master Trust are shown in the table below for the year ended 31 March 2018.

Market value of assets subject to the complying fund rules \$	Number of members to which assets relate	Value of withdrawals subject to the complying fund rules \$000
0	0	1,648

## Changes to persons involved in the Scheme

Changes to the directors of the Manager during the year ended 31 March 2018 were:

- With effect from 22 December 2017, Vincenzo Cutrupi was appointed to replace Janice Segupta.

At Aon, the successful close of the divestiture of our HR outsourcing and global benefits administration business to Blackstone in early May 2017 has provided Aon with the opportunity to reshape the business. This has resulted in changes in the business both globally and at a Pacific level. As a result of these changes, at Aon New Zealand (the investment manager and administration manager of the Scheme):

- Janet Hayden's role as Head of Retirement and Financial Management was disestablished and Janet left Aon New Zealand in September 2017.
- Simon Ferry, Manager of Retirement & Financial Management, joined Aon New Zealand in May 2017.
- Amanda Beeslaar took on the role of Head of Retirement Products in July 2017.

Although Janet Hayden left the employment of Aon New Zealand she continued as a director of the Manager.

# How to find further information

Further information relating to the Scheme (including financial statements, the trust deed, the SIPO, fund updates, annual reports, the PDS, and other material information) is available on the offer register and the scheme register. These registers can be found at [disclose-register.companiesoffice.govt.nz](http://disclose-register.companiesoffice.govt.nz).

A copy of information on the offer register or scheme register is available on request to the Registrar of Financial Service Providers.

The following information may also be requested from us free of charge, by contacting us in writing:

- Copies of the PDS
- Copies of the PDS Supplements specific to your Plan

- Copies of all written investor communications sent to you (including annual reports, financial statements, PIE statements and confirmation information)
- Copies of the trust deed, SIPO and fund updates
- A written statement of your unit holding as detailed in the Scheme's register of investors
- Minutes of all investor meetings
- Resolutions passed by investors.

# Contact details and complaints

## Contact details

The Manager can be contacted at:

The Scheme Secretary  
Superannuation Management Nominees Limited  
Level 16, AMP Centre, 29 Customs Street West  
PO Box 3167, Auckland 1140

Telephone: 0800 266 268  
Email: [amt@linkmarketservices.com](mailto:amt@linkmarketservices.com)

Link Market Services Limited is the administrator and maintains the register of the Scheme and can be contacted at:

Link Market Services Limited  
Level 11, Deloitte Centre, 80 Queen Street  
PO Box 332, Shortland Street, Auckland 1140

Telephone: 0800 266 268  
Email: [amt@linkmarketservices.com](mailto:amt@linkmarketservices.com)

## Questions or complaints

Should you have any questions or complaints please direct them to us via the administrator at:

Aon Master Trust  
Level 11, Deloitte Centre, 80 Queen Street  
PO Box 332, Shortland Street, Auckland 1140

Telephone: 0800 266 268  
Email: [amt@linkmarketservices.com](mailto:amt@linkmarketservices.com)

If you have made a complaint to us and it has not been resolved you may direct your complaint to our independent dispute resolution scheme:

Financial Services Complaints Limited  
4th Floor, 101 Lambton Quay  
PO Box 5967, Wellington 6145

Telephone: 0800 347 257  
Fax: 04 472 3728

Financial Services Complaints Limited will not charge a fee to any complainant to investigate or resolve a complaint.

# Contact us

Our helpdesk staff are available to assist you with any queries. Please note that our contact centre staff are not able to provide you with financial advice.

**t:** 0800 266 268

**e:** [amt@linkmarketservices.com](mailto:amt@linkmarketservices.com)

**w:** [aonhewitt.co.nz](http://aonhewitt.co.nz)

## About Aon

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Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

For further information on our capabilities and to learn how we empower results for clients, please visit <http://aon.mediaroom.com>.

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