

Aon Master Trust

Annual Report 2021



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 2021.

Investment markets over the financial year

March 2021 marked one year since financial markets bottomed out as a result of Covid-19. As the virus spread investor sentiment turned sour sending severe shocks through financial markets. Since then, there has been a strong recovery in share prices although bond markets remain highly managed by central banks.

Share markets initially rebounded on news of swift and significant fiscal support by governments for businesses and individuals. Growth companies, particularly those with a technology focus, performed well during the initial stages of the recovery while old economy businesses continued their hibernation.

Key central banks played their role in delivering supportive stimulus measures, aggressively pushing cash rates to historic lows and providing liquidity support to bond markets. The support was extreme by historic standards. For example, the Reserve Bank of New Zealand (RBNZ) purchased government bonds and started preparing for the possibility of negative interest rates. The US Federal Reserve began buying individual corporate bonds for the first time.

Then the world changed, again

The announcements of effective vaccines from November provided an opportunity to look past the crisis and consider life after Covid-19. Better than expected economic data in most countries was received. Improving company earnings showed that many major companies had reduced their operating costs significantly throughout the pandemic and then achieved better than expected revenue growth in the recovery.

This spurred the revival of share prices for companies with more traditional business models. The recovery of key Australasian financial institutions has been notable, the sector has benefited from a lower cost of funding (via Reserve bank support) and accelerating property prices.

The economic recovery has been uneven so far. Western Europe has recorded a second quarter of recession since Covid-19 began. Many emerging markets continue to face big challenges having less ability to respond to a health crisis. On the other hand China, US and Australasia are on much stronger ground recording continuous GDP growth since June 2020. Each has its strength: China, the global manufacturing engine room; the US with a strong technology sector and world-leading vaccine uptake; whilst Australasia has had very low infections and benefits from high commodity prices.

Inflation might be on the rise

While cash rates remained mostly at their lows, the yields for long maturity bonds were sharply higher in March 2021.

Several events occurred which contributed. There were growing expectations that the US Federal Reserve may increase interest rates earlier than previously expected. The recent US stimulus announcements ('American Rescue Plan' US\$ 1.9 trillion, proposed US\$ 3-4 trillion infrastructure spend) coupled with a successful vaccine rollout and better than expected economic data contributed to the view that inflation control may be required.

Concern for the need to control inflation seems well founded even though the headline Consumers Price Index reported isn't higher than recent past years' results. Increased commodity prices, house prices, and even used car prices, indicate that inflation risk is present.

Fund returns were much stronger than expected

The one year returns of our funds reflect a very unusual period in history. Specifically, these capture almost all the economic recovery since the first lock-down, but none of the losses incurred just before. Therefore, these shouldn't be viewed as typical, nor as being repeatable.

Instead we think investors are better to focus on continuing investing and assessing success based upon long-term returns, which include strong markets and downturns. Here we are pleased to report that most of the funds' 5-year returns remain strong. Additionally, the results continue to support our belief that holding growth assets provides for attractive long-term results.

We think the outlook remains positive although the risks are significant

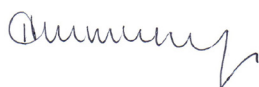
A significant portion of the population in several developed economies should be vaccinated in the second half of 2021. In addition, the huge stimulus packages provided by key central banks and governments has delivered an accommodative environment for global economic growth.

The risks are threefold.

- Firstly, slow or inefficient vaccine rollouts could extend existing lockdowns, or lockouts from international travel. This risk seems acute for continental Europe and emerging market economies.
- Secondly, central banks resolve to keep interest rates stable may waiver. New Zealand might be one of the first to adjust as since March the government has required the RBNZ to consider house price sustainability when making decisions. Reducing this risk somewhat are the tax changes announced at the same time in an attempt to cool the housing market.
- Finally, international trade challenges continue to increase the cost and limit the efficiency of international trade. The Covid-19 shut-down of manufacturing, followed by accelerated and changing consumer demand, has meant manufacturing supply hasn't kept up, leading to increased materials and transport costs, and lower availability of certain key components such as computer chips.

Despite these risks, on balance we believe the next phase can favour growth assets and moderate, yet volatile, returns are possible.

We are committed to the ongoing success of the Aon Master Trust and helping you on your path to financial security in retirement.



Helen McKenzie

on behalf of the Manager
Superannuation Management Nominees Limited

Date: 26 July 2021

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 2021 the Scheme also had a legacy scheme section.

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 26 November 2020. 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 2021. 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 or at aon.co.nz/aon-master-trust.

Information on contributions and scheme participants

Membership summary

The following table sets out membership information for the year ended 31 March 2021.

		Members
Members at 1 April 2020		2,409
Total new members		145
Transfers from other schemes	–	
Other new members	145	
Total exits		(277)
Retirements	(27)	
Deaths	(6)	
Transfers to other schemes	(0)	
Other withdrawals	(244)	
Members at 31 March 2021		2,277

Contribution information

The following table sets out the contribution arrangements for the year ended 31 March 2021.

Membership	Number of members at 1 April 2020	Number of members at 31 March 2021
Contributing members	1,987	1,908
Non-contributing members	422	369

The total amount of contributions received during the year ended 31 March 2021 was \$30.36 million in respect of 2,240 members. The following table provides further information on the types of contributions to which the total amount relates.

Contributions	Amount \$000,000	Number of members
Member contributions	\$16.53	2,081
Employer contributions	\$7.03	2,181
Member voluntary additional contributions	\$6.80	335

Amount of accumulations

The following table sets out the total amount of accumulations and membership it relates to for the year ended 31 March 2021.

Date	Amount \$000,000	Number of members
1 April 2020	\$182.90	2,409
31 March 2021	\$210.89	2,277

Changes relating to the Scheme

During the year ended 31 March 2021 the Scheme’s trust deed was amended by a deed dated 28 January 2021. The amendments were to reflect legislation changes altering the Scheme under the Trusts Act 2019, to amend the rules for one of the employer plans, to remove the Complying Fund provisions (on the basis that the Scheme no longer has such members) and to address some minor administrative matters.

During the year the Scheme’s statement of investment policy and objectives (SIPO) and PDS were also updated. Both were updated effective 26 November 2020. The main changes to the SIPO were:

- to include New Zealand fixed interest in the investment strategy of the Nikko Cash Fund

- to reflect changes in the target mix and permitted ranges of the Nikko Balanced Fund and Nikko Growth Fund
- to reflect changes in the target mix of the Milford Active Growth Wholesale Fund
- to make changes in the permitted ranges of the Russell funds

The main changes to the PDS were:

- Changes to the estimated annual fund charges
- To reflect the changes in the investment strategies of some funds

There were no related party transactions entered into during the year ended 31 March 2021 that were not on arm’s length terms.

Other information for particular types of managed funds

Withdrawal information

The following table sets out the number of permitted withdrawals made from the Scheme during the year ended 31 March 2021.

Type of withdrawal	Number of members
Death benefit	6
Total and permanent disablement or serious illness	2
Partial withdrawal	81
Leaving service benefit	201
Retirement benefit	27
Retrenchment benefit	41
Transfers to other workplace savings schemes	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 ANZ diversified funds, Nikko Balanced and Growth Funds, and the 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 2021, and the unit prices at the start and end of the year, are set out below:

Fund	Investment return (net of fund charges but before tax)	Unit price at start of year (1 April 2020) \$	Unit price at end of year (31 March 2021) \$
ANZ Cash	0.62%	15.7839	15.8821
ANZ Conservative	8.40%	22.8393	24.7582
ANZ Balanced	24.60%	25.8220	32.1732
ANZ Growth	33.20%	26.4960	35.2919
Milford Active Growth Wholesale	34.73%	3.4687	4.6734
Nikko Cash	1.35%	14.8089	15.0085
Nikko Conservative	6.17%	16.4371	17.4518
Nikko Balanced	25.13%	18.7648	23.4812
Nikko Growth	33.36%	23.2626	31.0236
Russell LifePoints® Conservative	10.69%	10.1190	11.2007
Russell LifePoints® Moderate	17.16%	10.0719	11.7999
Russell LifePoints® Balanced	24.04%	9.6665	11.9908
Russell LifePoints® Growth	28.92%	9.5836	12.3554
Russell LifePoints® Target Date 2025	14.57%	9.4946	10.8783
Russell LifePoints® Target Date 2035	21.33%	9.4427	11.4572
Russell LifePoints® Target Date 2045	27.10%	9.1738	11.6597

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 2020) \$	Unit price at end of year (31 March 2021) \$
ANZ Capital Stable	2.01%	20.6131	21.0277
AMT NZ Bond*	1.31%	18.6080	18.8527
AMT International Bond*	4.50%	24.8540	25.9728
AMT Australasian Shares*	28.02%	31.4554	40.2683
AMT International Shares*	46.41%	31.5030	46.1237
AMT Australasian Property*	32.24%	30.6094	40.4782
Russell LifePoints® Target Date 2015	10.95%	9.6894	10.7503

* The underlying investment manager of these funds is ANZ New Zealand Investments Limited.

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 2020. The returns shown above may differ slightly from the equivalent returns shown in the 31 March 2021 fund updates due to the fund updates making allowance for any applicable tax credits within each fund.

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 2021 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 2021.

Changes to persons involved in the Scheme

There were no changes to the directors of the Manager during the year ended 31 March 2021.

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.

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 via the administrator at:

Aon Master Trust
Level 30 PwC Tower, 15 Customs Street West,
Auckland 1010
PO Box 332, Shortland Street, Auckland 1140

Telephone: 0800 266 268
Email: 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 30 PwC Tower, 15 Customs Street West,
Auckland 1010
PO Box 91976, Shortland Street, Auckland 1142

Telephone: 0800 266 268

Questions or complaints

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

Aon Master Trust
Level 30 PwC Tower, 15 Customs Street West,
Auckland 1010
PO Box 332, Shortland Street, Auckland 1140
Telephone: 0800 266 268
Email: 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 6140

Telephone: 0800 347 257
Email: complaints@fscl.org.nz

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

w: aon.co.nz/aon-master-trust

About Aon

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.

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