



Aon Master Trust

Annual Report

31 March 2017



Report of the Manager

The trustee of the Aon Master Trust (Scheme) as manager of the Scheme (Manager) is pleased to present this year's annual report to members for the year ended 31 March 2017.

The last year brought a lot of change for the industry and how schemes like the Aon Master Trust are regulated. The Financial Markets Conduct Act 2013 (FMCA) came into full effect with the Aon Master Trust transitioning to the new regime on 30 November 2016 and the requirements of the FMCA apply from that date.

Under the new regime, there is a new offer document known as a product disclosure statement (PDS). The PDS is supported by information, including annual fund updates, uploaded on a publicly accessible scheme register and offer register on the Disclose website (www.business.govt.nz/disclose/).

The year also saw the transition of administration services of the Aon Master Trust to Link Market Services Limited. We look forward to the improvements in technology and services they will deliver for our members.

Investment commentary

The long term investment performance across the range of Aon Master Trust funds remains strong, despite a more mixed outcome over the last 12 months. It has been a difficult environment for investing, and this was reflected in the range of returns delivered by the Scheme's three balanced funds over the year. The Aon Nikko Balanced Fund returned 5.8%, the Aon ANZ Balanced Fund returned 6.7% and the Aon Russell LifePoints® Balanced Fund returned 8.9% (all after fees but before tax).

Financial markets were seriously wrong-footed twice in the last 12 months – first by the decision of the UK public to vote to exit the European Union, and then by Donald Trump's victory in the US presidential election. Neither of these events was anticipated by opinion polls, or by the so-called experts, and financial markets reacted violently, and unpredictably, to the news.

Investors have also had to deal with terrorist attacks (in Brussels, Nice, Pakistan and Orlando), the assassination of Russia's ambassador to Turkey, the impeachment of two democratically-elected presidents (in South Korea and Brazil), ongoing civil war in Syria, an unsuccessful military coup in Turkey, the surprise resignation of John Key and the more predictable resignation of the Italian Prime Minister, Matteo Renzi following his referendum defeat.

Less of a surprise was the decision of the US Federal Reserve to raise interest rates in December 2016 and then again in March 2017. However, while the rate rises were anticipated, they still were significant for investors as they signalled that we are moving into a rising interest rate environment, after more than 10 years of the US economy (and others) being supported by interest rates at or close to zero. Rising interest rates can be challenging for both share and bond investors but can also be positive, provided that the increases are gradual and are due to a strengthening economy.

The Aon Master Trust is a long term investment, and investment managers need to be able to deliver in all economic conditions. The Aon Master Trust uses four underlying investment managers — Russell Investments, Milford Funds, ANZ Investments and Nikko Asset Management. They all have different investment styles, but each of them has demonstrated an ability to invest successfully over the long term.

There are two main reasons why the Aon Master Trust funds have been able to deliver strong investment returns over the long term — capable investment managers, and good diversification. We pick managers who we believe have the skills required to outperform over the long term. We also ensure that all of our funds are well diversified, so that they can cope with unexpected events. For the Nikko, Milford and ANZ multi-sector options, this involves allowing an allocation to ‘alternative asset classes’, which can perform differently to traditional share and bond investments. The Aon Russell funds do not invest in alternative assets, but Russell Investments’ multi-manager approach helps ensure very broad diversification within the portfolios.

The other key to long term success is strong governance. We regularly monitor our investment managers, we meet with them often, we challenge them and we have high expectations of them.

It is unlikely that the next 12 months will be any easier for investors than the last year. Global economic conditions should improve, it looks likely that inflation will increase and interest rates will probably drift higher. There are risks that Trump may struggle to get any meaningful changes through Congress, the US economy could slow, putting pressure on other economies, especially in the emerging markets and inflation could fizzle out — resulting in interest rates staying on hold, or even falling.

This uncertainty makes life difficult for investment managers. They need to have sufficient exposure to growth assets to ensure they capture investment gains if things go well, but also have to be sufficiently defensive so that they are not overexposed if things don’t go as expected and asset prices fall.

We are confident that our investment managers will continue to make good investment decisions so that they strike the right balance between risk and reward.



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, the Scheme also has a complying superannuation fund and legacy scheme sections.

The Aon Master Trust is a defined contribution scheme.

Superannuation Management Nominees Limited is the 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 PDS is 30 November 2016. 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 2017. The latest financial statements for the Scheme and Auditor's report have been lodged on the Disclose register and are available at www.business.govt.nz/disclose or www.aonhewitt.co.nz.

Information on contributions and scheme participants

Membership summary

The following table sets out membership information for the year ended 31 March 2017:

| | | |
|------------------------------------|-----|--------------|
| Members as at 1 April 2016 | | 1,845 |
| Total new members | | 1,062 |
| - Transfers from other schemes | 911 | |
| - Other new members | 151 | |
| Total exits | | 354 |
| - Retirement | 30 | |
| - Death | 3 | |
| - Transfers to other schemes | 78 | |
| - Other withdrawals | 243 | |
| Members as at 31 March 2017 | | 2,553 |

Contribution information

The following table sets out the contribution arrangements for the year ended 31 March 2017:

| Membership | Number of members as at 1 April 2016 | Number of members as at 31 March 2017 |
|--------------------------|--------------------------------------|---------------------------------------|
| Contributing members | 1,646 | 2,322 |
| Non-contributing members | 199 | 231 |

The total amount of contributions received during the year ended 31 March 2017 was \$13,433,000 in respect of 2,553 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 | \$5,665 | 2,098 |
| Employer contributions | \$6,512 | 2,249 |
| Member voluntary additional contributions | \$1,256 | 728 |

Amount of accumulations

The following table sets out the total amount of accumulations and membership it relates to for the year ended 31 March 2017.

| Date | Amount \$000 | Number of members |
|---------------|--------------|-------------------|
| 1 April 2016 | \$125,626 | 1,845 |
| 31 March 2017 | \$191,048 | 2,553 |

Changes relating to the Scheme

As noted above, the Scheme transitioned to the FMCA regime in November 2016. From that time, the Scheme is a restricted workplace savings scheme for the purposes of the FMCA and is subject to the requirements of that Act. As part of the transition to the FMCA regime, the Trust Deed and the statement of investment policy and objectives (SIPO) for the Scheme were updated to meet the requirements of the FMCA.

The change to the administration of the Scheme previously notified to members was affected, with Link Market Services Limited being appointed to act as administrator of the Scheme from November 2016.

There were no related party transactions entered into during the year ended 31 March 2017 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 2017:

| Type of withdrawal | Amount \$000 | Number of members |
|---|-----------------|----------------------|
| CSF transfer | 10,587 | 78 |
| Death benefit | 225 | 3 |
| Dismissal benefit | 27 | 1 |
| Early retirement benefit | 126 | 2 |
| In-service withdrawal | 1,915 | 90 |
| Leaving service benefit | 6,716 | 174 |
| Retirement benefit (age 65 and over) | 3,167 | 28 |
| Retrenchment benefit | 4,641 | 64 |
| Transfers to other workplace saving schemes | 18,602 | 4 |

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 manager, but are reviewed by the Manager to ensure they continue to be appropriate for the Scheme.

The unit prices for the funds available to members at 1 April 2016 and 31 March 2017 are set out below:

| | Investment return (net of all percentage-based fees and gross of tax) | Unit price at the beginning of the year (1 April) \$ | Unit price at end of year (31 March) \$ |
|--------------------------------------|--|---|--|
| ANZ Cash | 1.73% | 14.68 | 14.93 |
| ANZ Capital Stable | 2.04% | 18.34 | 18.72 |
| ANZ Conservative | 3.55% | 19.77 | 20.48 |
| ANZ Balanced | 6.73% | 22.04 | 23.52 |
| ANZ Growth | 8.28% | 22.48 | 24.34 |
| Milford Active Growth Wholesale Fund | 8.10% | 2.74 | 2.96 |
| Nikko Cash | 2.29% | 13.66 | 13.97 |
| Nikko Conservative | 1.47% | 15.19 | 15.42 |
| Nikko Balanced | 5.76% | 15.94 | 16.86 |
| Nikko Growth | 7.49% | 19.33 | 20.78 |
| Russell LifePoints® Conservative | 4.93% | 8.63 | 9.06 |
| Russell LifePoints® Moderate | 6.81% | 8.37 | 8.94 |
| Russell LifePoints® Balanced | 8.93% | 7.81 | 8.51 |
| Russell LifePoints® Growth | 10.48% | 7.63 | 8.43 |
| Russell LifePoints® Target Date 2025 | 6.91% | 7.87 | 8.41 |
| Russell LifePoints® Target Date 2035 | 8.95% | 7.61 | 8.29 |
| Russell LifePoints® Target Date 2045 | 10.53% | 7.27 | 8.04 |

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

The unit prices are at 1 April 2016 and 31 March 2017.

| | Investment return (net of all percentage-based fees and gross of tax) | Unit price at the beginning of the year (1 April) | Unit price at end of year (31 March) |
|-----------------------|--|---|--------------------------------------|
| NZ Bonds | 0.71% | 16.05 | 16.17 |
| International Bonds | 3.91% | 21.60 | 22.44 |
| Australian Shares | 4.78% | 22.55 | 23.63 |
| International Shares | 16.30% | 23.87 | 27.76 |
| Australasian Property | 0.21% | 26.01 | 26.07 |
| Global Property | 0.54% | 13.21 | 13.29 |

Unit prices are net of all percentage-based fees and gross of tax.

Manager 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 2017 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 2017.

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 2017.

| Market value of assets subject to the complying fund rules \$000 | Number of members to which assets relate | Value of withdrawals subject to the complying fund rules \$000 |
|---|--|---|
| 1,395 | 14 | 10,924 |

Changes to persons involved in the Scheme

Changes to the directors of Superannuation Management Nominees Limited during the period ended 31 March 2017:

- Helen Margaret McKenzie was appointed as a director and Licensed Independent Trustee on 24 November 2016.
- In October 2016, Link Market Services Limited was appointed administrator and registrar of the Scheme.
- The role of the Operations Manager is no longer required, Christel Hoy, left Aon at the end of January 2017.
- Greg Lee, Manager Retirement and Financial Management, was replaced by Simon Ferry in May 2017.

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 www.business.govt.nz/disclose.

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.

All information can be obtained without any charge.

Contact details and complaints

The Manager can be contacted as follows:

The Scheme Secretary

Superannuation Management Nominees Limited
Level 2, AMP Centre,
29 Customs Street West
PO Box 3167
Auckland 1140

Phone: (09) 362 9000

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

Link Market Services Limited

PO Box 332, Auckland, 1140
Level 11, Deloitte Centre, 80 Queen Street, Auckland, 1010

Phone: 0800 266 268

Email: amt@linkmarketservices.com

Should you have any questions or complaints please direct them to:

Aon Master Trust

Level 11, Deloitte Centre, 80 Queen Street,
PO Box 332, Shortland Street,
Auckland 1010

Phone: 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

Telephone: 0800 347 257 or (04) 472 3725

Email: info@fscl.org.nz

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

Aon New Zealand

Offices Nationwide

www.aonhewitt.co.nz