Summary of Key Portfolio Monitoring Decisions: Six months to 31 March 2016

October 2015

New Zealand Shares Portfolio

- The New Zealand Shares Portfolio participated in a 29% sell down of Z Energy by Infratil and the New Zealand Superannuation Fund. The transaction was completed at a discount to the latest market price of 9.5%. Infratil and the New Zealand Superannuation Fund purchased Shell New Zealand in 2010 before rebranding as Z Energy in 2011.

Rothschild Global Direct Shares Portfolio

- The portfolio's holding in Ericsson was removed, after we had already reduced the holding in June, from 6% to 3%. This followed a review which indicated that Ericsson's competition was starting to gain traction in its core business servicing division. Ericsson's latest quarterly results indicating this trend had not abated, so the 3% weighting has been re-allocated to the broader focused Global Technology ETF. Technology remains a key theme of the portfolio as we see the continued proliferation of mobile computing increasing the demand for data storage and increased levels of spending on software.

November 2015

New Zealand Shares Portfolio

- A small initial allocation to SkyCity was added to the portfolio at a 1.5% weight. SkyCity operates a number of casinos with monopoly licenses in New Zealand and Australia, with their key asset being SkyCity Casino in Auckland.

- To offset the addition of SkyCity, the portfolio's position in Stride Property Limited was reduced. The reduction was predominantly driven by a combination of concern in Stride's increased debt levels, following the acquisition of a $290 million supermarket portfolio, and the relative income offered by the New Zealand listed property sector becoming less attractive.

Australian Shares Portfolio

- Ansell Limited was added to the portfolio at a 2% weight, offset by reducing holdings in Ramsay Healthcare Limited and CSL Limited. Ansell is a global business providing safety and protective products for healthcare, industry and sexual wellness. It offers a more attractive valuation relative to both Ramsay and CSL, with the latter up 22% and 21%, respectively over the past year.

Foreign Currency Hedging

- The level of foreign currency hedging was increased to cover 60% of your global shares sector investments, up from 55%. This took advantage of a fall in the value of the New Zealand Dollar to moderately below our estimate of its fair value, while the change brings hedging in line with our strategic long-run level.

Proxy Voting

- During November, Precinct Properties New Zealand Limited (held in the Property Portfolio) held their Annual General Meeting where a resolution was put forward to increase the Directors' fee pool by $130,000 (or 29%). We actively monitor each resolution on behalf of investors, and in this case we elected to vote against the resolution as we did not agree with the justification for the increase. Disappointingly we were among the few investors who had this view - the resolution was passed with only 1.93% of investors voting against.

- Ramsey Healthcare Limited (held in the Australian Shares Portfolio) also held their Annual General Meeting in November where three resolutions were proposed that we elected to vote against. The first of which was to increase the non-executive director fee pool by 59%, while the second and third related to increasing the performance rights granted to the Managing Director and Finance Director (which had increased by 50% per annum since 2013). All three resolutions ending up passing, however there were a number of other investors who voted against the performance rights resolutions (12.92% and 12.93%), while very few voted against the director fee pool increase (1.06%)

December 2015

Global Shares Portfolio

- With global shares down 6% early in January, some gains from the options protection in place have been crystallised (approx. 0.4% of the sector), while keeping the majority of protection in place for any more significant declines.

- Near the end of the month, we removed the overweight exposure to (currency-hedged) European shares, a profitable position that has been in place for 18 months, with Europe outperforming the MSCI by around 10% over that time. The proceeds have been reallocated back to the Vanguard Hedged International Shares Fund. Although the European Central bank is still in Quantitative Easing mode, the outlook from here is more mixed and less supportive of a continuation of the position.

New Zealand Shares Income Portfolio

- Stride Property Group was removed from the portfolio as their debt increased to uncomfortably high levels following the acquisition of a $290 million supermarket property portfolio. To offset this, the Portfolio's holdings in Spark New Zealand, Contact Energy, TrustPower and Westpac Corporation were increased.

Corporate Bond Portfolio

- A 25% allocation to international corporate bonds has been added to the Corporate Bond Portfolio, via the US-focussed Vanguard Short-Term Corporate Bond ETF. As well as further diversifying the portfolio, the change has helped improve its running yield, with global credit spreads having increased significantly over the past six months, particularly compared to those available on New Zealand bonds. The allocation was funded by reducing holdings in mainly senior ranking bank and local council bonds.

January 2016

New Zealand Shares Income Portfolio

- Late in January we removed Hallenstein Glasson Holdings, as they face increased pressure from a number of global fashion retailers who have recently entered the New Zealand market. To offset this, we added Chorus, as the company was forecast to reinstate their dividend following the completion of the Commerce Commission review of their copper lines pricing.

February 2016

NZ Shares Portfolio

- During the month a number of changes were made to the NZ Shares Portfolio. The holding in Xero was increased to 2% of the portfolio, while we also added A2 Milk Corporation added at a 2% weight. Xero's valuation had fallen to attractive levels amidst the general global volatility, which offered a good opportunity to increase the portfolio's allocation.

- A2 Milk Corporation recently upgraded their earnings forecasts, reflecting continued solid business growth, as well as making their first profit. This consequently offered a more attractive and visible valuation basis on which to add the company to the Portfolio, despite recent impressive share price performance. To offset these changes we reduced the weights of TradeMe Group, The Warehouse Group, Stride Property Group, and Property for Industry, with the property companies in particular having performed well on a relative basis as market volatility has increased.

Australian Shares Portfolio

- During the month we added InvoCare Limited to the portfolio at a 1% initial weight. InvoCare is the Australasian market leader in funeral services with over 30% market share in both Australia and New Zealand. They are also the largest provider in Singapore and have recently starting offering crematorium services in California.

- This addition has been offset by a reduction to the major supermarket chains, Woolworths and Coles parent company Wesfarmers, where increasing competition will continue to weigh on profit margins which clouds the visibility for earnings.

NZ Shares Portfolio

- During the month Pacific Edge was added to the portfolio (currently at just under a 1% weight). Pacific Edge is a cancer diagnostics company who focus specifically on the detection and monitoring of bladder cancer through a suite of tests. Their tests are non-invasive and have been clinically proven to provide better results than tests currently offered for both detecting bladder cancer and indicating that bladder cancer is not present. Bladder cancer has high recurrence rates of between 50-70% so ongoing monitoring is extremely important.

NZ Fixed Interest Portfolio

- Inflation remains below the Reserve Bank’s 1-3% inflation target band and a further Official Cash Rate (OCR) reduction is expected. With long-term bond yields relatively stable over the past several months, this has caused long term bonds to become more comparatively attractive than short term bonds and cash. With this in mind, we increased our average bond maturity to be 4.5 years, in line with the NZ Government Bond benchmark. Previously this was closer to 4.0 years. This was achieved by reducing the shorter-maturity Government bonds which mature in 2017, 2019, 2020, and 2021. Replacement holdings included NZ Government bonds maturing in 2023, 2027 and 2033.