fisher funds

MARKET INSIGHTS

March 2021 Quarter

IT'S COMPLICATED: WHEN GOOD NEWS IS NOT NECESSARILY GOOD FOR ALL OF YOUR INVESTMENTS

Frank Jasper, Chief Investment Officer

The first quarter of 2021 was a quarter of change, changes in the course of the COVID pandemic, changes in the global economy and changes in market leadership. Dynamic markets require a dynamic investment approach. The team did a good job of pivoting portfolios and finding ways to deliver attractive returns and beat the market. It's been quite a quarter to cap off what has been a truly unprecedented year.

693 million vaccine doses, COVID infection rates finally trending down, central banks remaining accommodative supporting economic growth, and governments spraying money around from a powerful fiscal fire hose. The fundamental news is good.

This must be a golden time for investors? Yes and no. It's complicated. Economies move in broad cycles and as those cycles play out they bleed through into markets. Oftentimes the investments that were most successful in one part of the cycle struggle in the next and vice versa. Actively managing portfolios and being prepared to change was more important than ever.

The team did this well, generating strongly positive returns in offshore share portfolios, including our international growth, property and infrastructure and Australian share portfolios. The New Zealand share market, dominated by companies with high dividend yields, which are susceptible to rising interest rates, underperformed global markets with a negative return for the quarter. Similarly, fixed interest strategies struggled.

Changing economic fortunes herald changing market fortunes

The past year has been a truly tumultuous. A global pandemic, rolling lock downs and a massive hit to economic activity made for a headline act. In the United States alone 22 million people lost their jobs between February to April 2020. The global economy suffered a metaphoric cardiac arrest with economic growth falling sharply and then flatlining.

This was always going to be temporary. One way or another the global economy was going to adjust to a post COVID world and activity would rebound. We are now in the midst of this rebound. And it is powerful. The IMF forecasts the global economy to grow by 5.5% this year: more than recovering the lost ground of 2020.

A recovering global economy has big implications for financial markets. The most obvious ripple, well more like a tsunami, was in long term interest rates. Rates all around the world were at historically low levels during the early parts of the pandemic, driven lower by central banks and the collapse in economic activity.

This began to reverse in 2021. Stronger growth and fears of a pick-up in inflation meant interest rates moved higher. It was a dramatic move. In the United States, for example, 10-year government bond rates almost doubled over the quarter, moving from 0.91% to 1.74%, the worst sell off in rates in over 40 years.

Rising growth affects more than just interest rates. It meant that the demand for raw materials rose strongly, pushing commodity prices higher (oil and copper), and supporting the share prices of energy and commodity companies. It meant that the share prices of poorer quality companies, which had struggled during the pandemic, rebounded and outpaced the returns of higher quality companies of the kind that Fisher Funds typically favours.

It was a challenging investment environment.

Last year's winners become this year's losers

Not only did last year's losers, poor quality companies (commodity shares for instance) become this year's winners the flip side was also true. Some of the companies that performed best during the pandemic lost their lustre.

This is not necessarily because these better quality companies are performing poorly from an earnings perspective, it's more that the gap between the "haves" and the "have nots" has narrowed. All companies are doing better in an economic rebound, which has led to a rotation back to the less favoured "have nots".

Active management to the rescue

Active management to the rescue might be over stating it, but one of the key features of the Fisher Fund's STEEPP investment process is its inherent ability to adapt to changing market conditions.

If markets get over-exuberant about some companies and overly pessimistic about others the process will tend to see us reduce exposure to the recent winners and to redeploy your capital towards fundamentally sound companies that might be going through short term challenges.

The COVID pandemic provided these types of opportunities in spades. This meant the shape of our portfolios changed over the course of 2020 as we repositioned portfolios away from COVID beneficiaries towards recovery plays. This has protected portfolios and generated attractive returns as economies rebound. I won't steal the portfolio managers thunder but in the pages that follow you will read plenty of examples of this. This is the process doing exactly what it was designed to do.

As always, I like to wrap up by thanking you for your confidence in us. It has been an amazing year to be an investor, one that we have all learned a lifetime of lessons in. The market is a great teacher.

Best regards,

Frank Jasper | **Chief Investment Officer**

NEW ZEALAND EQUITIES

Sam Dickie, Senior Portfolio Manager

Yes, New Zealand needs a trans-Tasman bubble - but that is just the start

New Zealand was the poster child in the fight against COVID, and the reward is a trans-Tasman bubble. While the trans-Tasman bubble is a great start, the reopening will need to go far beyond this to revitalise our economy.

New Zealand pulled together and defeated COVID. According to Our World in Data, New Zealand has been 34 times more successful than the rest of the world in defeating COVID. The country's cumulative cases are a mere 2,531 or 0.05% of the population, well below the 132,420,000 or 1.7% of the population globally.

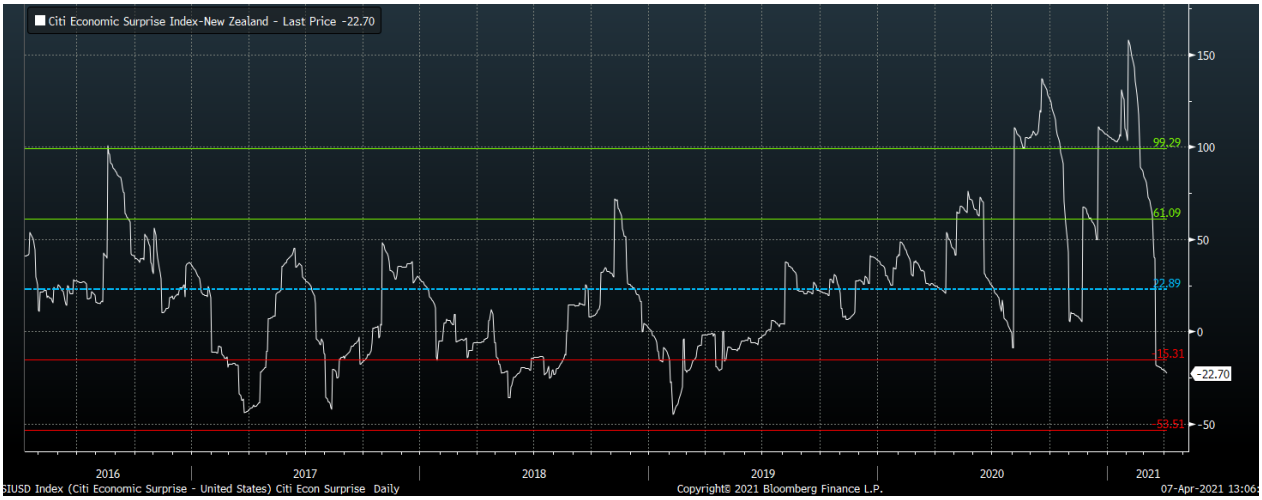
As a result, New Zealand's economy recovered faster too. We stamped out COVID and re-opened quickly. We spent money locally instead of overseas. And our housing market boomed.

New Zealand's sugar rush is wearing off

No longer. Not only has the global economy caught up, it's performing better than expected. Other countries are benefiting from reopening their domestic economies as they vaccinate their populations.

The Citigroup Economic Surprise Index shows how well an economy is doing. A number above zero shows an economy is doing better than expected, while a number below zero shows an economy is doing worse. The chart below shows that New Zealand's economic data has taken a turn for the worse.

New Zealand was exceeding expectations — but no more
Citigroup Economic Surprise Index since 2016



The global economy continues to perform better than expectations
Citigroup Economic Surprise Index since 2016

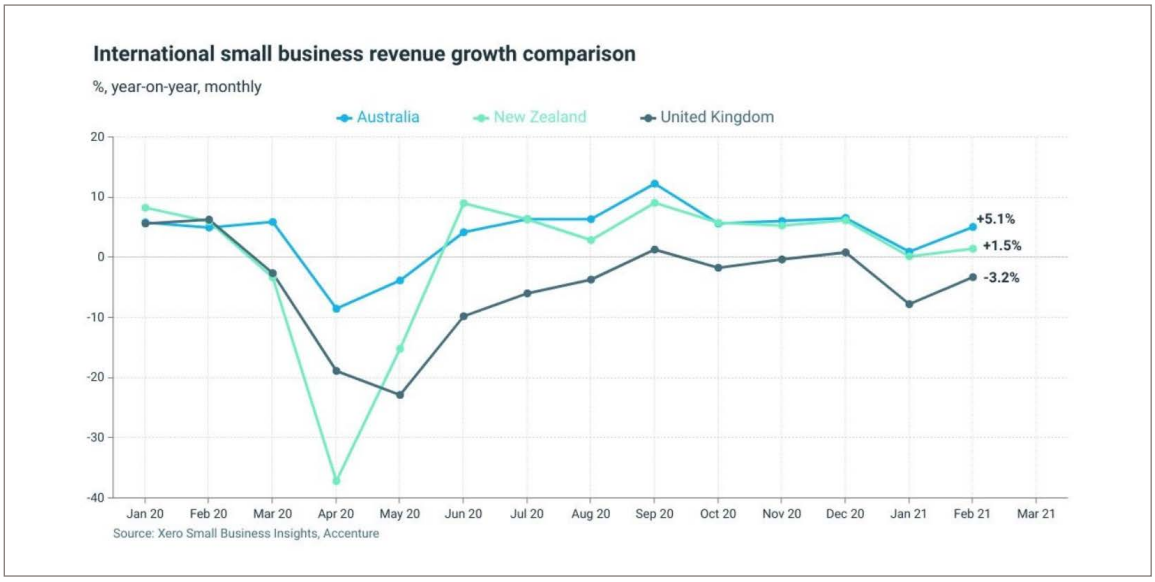
The share market can't keep up

New Zealand's share market was the worst performing developed market in the first quarter. Partly because the economy underperformed. Partly because 10-year bond rates nearly doubled, and the NZX50 has five times more interest rate sensitive companies than other global markets. And partly because of the markets lack of exposure to cyclical companies and reopening plays.

Hospitality is still struggling

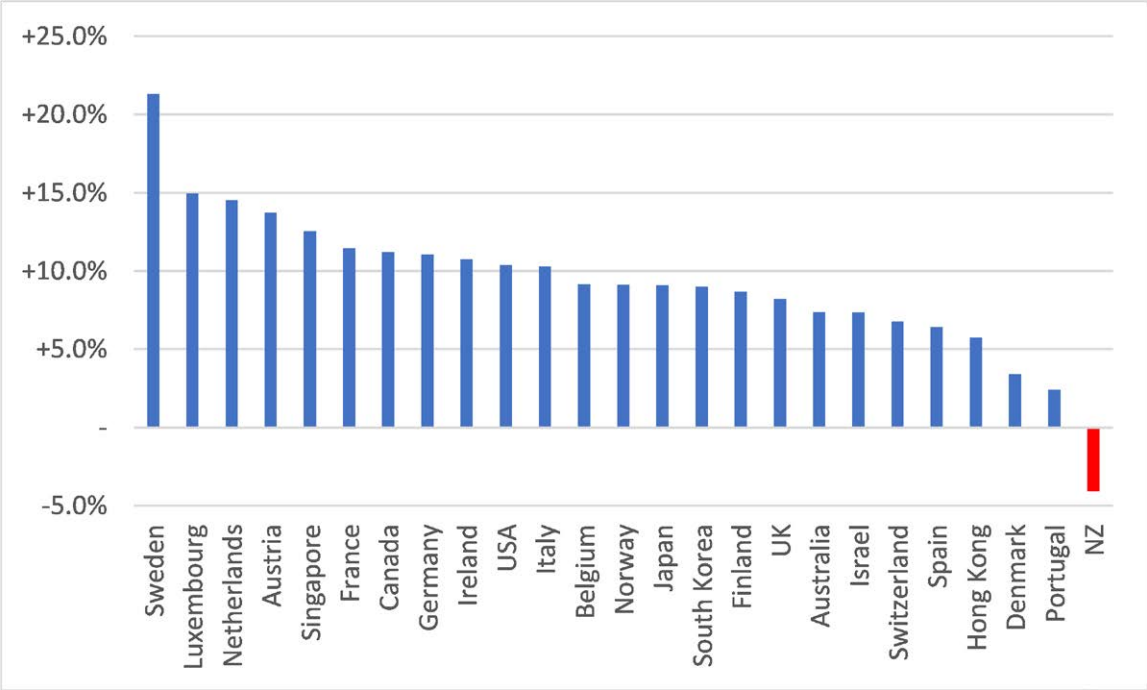
Xero's monthly Small Business Insights show that New Zealand hospitality businesses are down 14% year-on-year, despite the domestic economy largely recovering. That's because tourism is a big slice of the economy. It contributed $41 billion to the economy and directly employed 8.4% of the workforce before COVID. With so much of the economy dependent on international travel, it is critical to restart international tourism, especially as recovery in other sectors could fade.

New Zealand's small businesses are not out of the woods yet
Small business growth in Australia, New Zealand, and the UK since January 2020



Restaurants, bars, and cinemas are open. Sports games have played in spectator-filled stadiums. But international travel is the equivalent of our reopening trade.

New Zealand's share market is worst among developed markets this year
Year-to-date performance of developed markets



The trans-Tasman bubble is not enough

From 19 April 2021, travellers between New Zealand and Australia will no longer have to quarantine. This is an important development as Australia is a major source of tourists for New Zealand. Australian travel represented about 40% of Auckland Airport's international traffic pre-COVID. And since Australians still cannot travel to many destinations, we may pick up some of their pent-up demand for international travel.

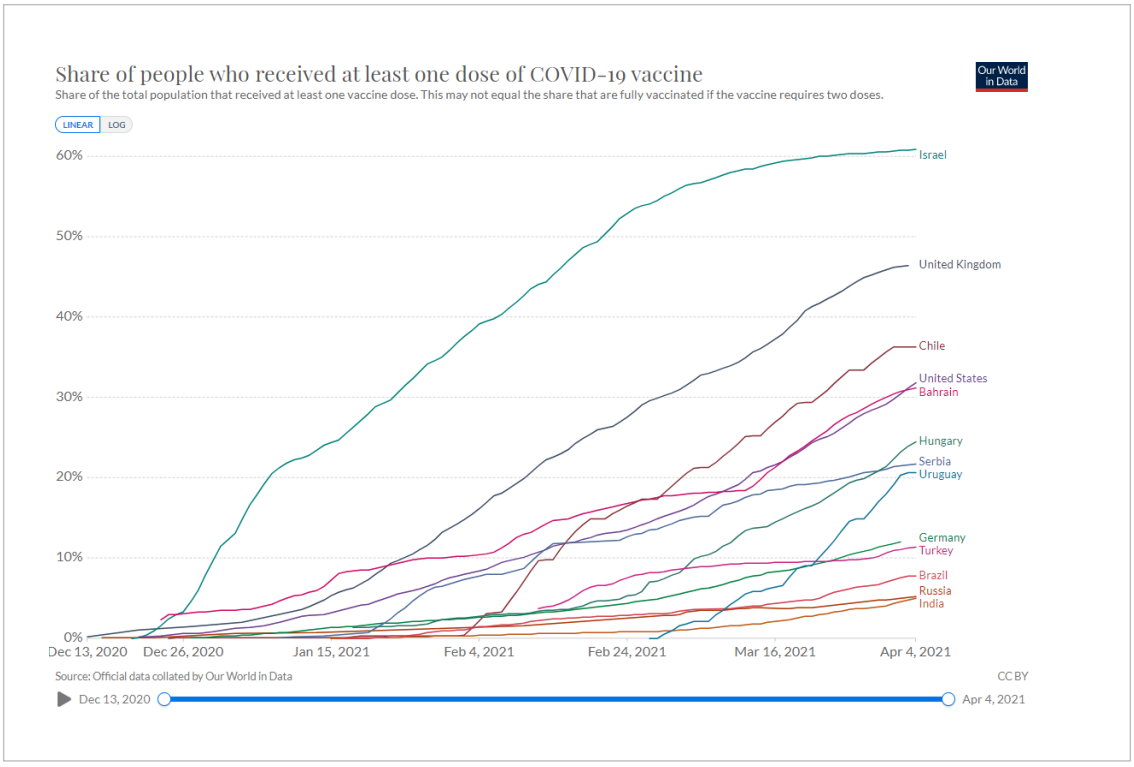
But — and this a big "but" — how many visitors will the travel bubble attract? New Zealand has had several COVID relapses, and the border could close at short notice. Not everyone will be willing to take the risk. Still, the bubble is a start. Some Australians may be willing to gamble on an impromptu trip across the ditch. Our research suggests the bubble will be most attractive to those who are desperate to see friends and family, but these visitors are less likely to book high-value tourism experiences.

The global vaccine roll-out promises a rosier future

Much of our high-value international tourism has a long gestation period, with visitors planning and booking their travel well in advance. For this to return, our travel bubble will need to extend beyond Australia and be able to withstand unexpected COVID outbreaks. Thankfully, global vaccine programmes are currently progressing broadly in line with expectations in many countries.

Fisher Funds is optimistic that a recovering tourism industry will boost the New Zealand economy. Our pragmatism tells us that the trans-Tasman bubble will certainly not be a panacea.

People around the world are being vaccinated but there's a long way to go



AUSTRALIAN EQUITIES

Robbie Urquhart, Senior Portfolio Manager

Australia's economy is bouncing back

Companies reported more positive earnings surprises in the March 2021 reporting season than at any time in the last 25 years.

Australia has been spared the worst of COVID lockdowns. The share market has risen sharply from the lows of March 2020, with the ASX 200 Index starting 2021 only a few percent shy of all-time highs.

Investors were clearly anticipating a rebound in economic activity. This was duly delivered in the bi-annual 'reporting season'. According to Goldman Sachs, nearly 60% of companies that reported earnings exceeded expectations. Companies commented on the improving business environment as they delivered cautiously optimistic forecasts.

The good news reflects the +4.8% return for the benchmark ASX200 Index (70% hedged into NZ$) in the three months to March.

Higher profits and an improving business environment pushed share prices up

The share prices of many of our portfolio companies rose more strongly than the market in 2020, so it was pleasing to see their earnings catch up in the reporting season. Indeed, over 80% of the companies in our portfolio delivered earnings that beat market expectations.

PWR Holdings returned +27.5%, leading the way for our portfolio companies. PWR, which provides cooling products for motorsports including Formula One teams, benefitted from extra races between June and December. In a sign that its investment in innovation is bearing fruit, it won new contracts in its new Emerging Technology division. This new business provides it with a strong foundation for further growth in 2021.

Insurance broker AUB Group (19.3%) similarly delivered a strong financial result and upgraded earnings guidance. Unaffected by COVID, the key Australian Broking division grew profits by a staggering 60%. Insurance premium rate increases and profit contributions from two acquisitions contributed to the growth. Most importantly, evidence shows that initiatives put in place by CEO Mike Emmett to improve the company's profitability are bearing fruit.

Bank share prices also increased

Reflecting the improving economy, the Australian 10-year government bond rate has risen to 1.85% from 0.97% since the start of the year. This has helped companies that have profits linked to interest rates, like banks.

This higher bond rate boosted the share prices of ANZ (+24.1%), CBA (+6.7%), NAB (+15.0%), and Westpac (+26.0%). Encouragingly, COVID-related customer repayment deferrals have dropped. The need for bad debt provisions has stabilised, and may reduce in the future, which would also improve profits.

Some share prices fell, but we remain optimistic over the longer term

Unsurprisingly, investors have increasingly switched their focus to companies, like banks, that stand to benefit most from a rebounding economy. To help pay for these investments, investors have sold shares in high-growth companies or companies with less to gain from an economic recovery.

So despite delivering robust financial results, share prices of portfolio companies such as Nanosonics (-29.0%), Audinate (-13.7%), NextDC (-14.8%) and Wisetech (-5.4%) fell. These are sound, growing businesses and we remain optimistic about their longer term prospects.

Similarly, our small (less than 1% of the portfolio) position in Limeade, which provides wellbeing software, had a tough quarter. Its share price fell -43.9%. Though Limeade signed up fewer customers than hoped in the COVID environment, its prospects remain bright. 'Working from home' is likely to continue after the pandemic, and it will be important for organisations to keep track of employees' wellbeing.

We have sold our shares in ARB Corporation

ARB Corporation (+7.9%) has benefitted immensely from the pandemic. With consumers focused on domestic travel, demand for ARB's 4x4 accessories has skyrocketed. Its high share price suggests the market views this as a permanent increase in demand. But we think demand will drop as economies open up. We have used this opportunity to sell our shares in ARB.

Businesses are becoming more environmentally conscious

In closing, we have noted with interest that businesses in Australia are proactively improving their sustainability. They are not waiting for government regulations or environmentally conscious investors to 'push' them into improving sustainable business practices.

For example, Next DC in our portfolio has been carbon neutral for a few years. Its CEO Craig Scroggie reminded us recently that the company is as efficient as it can be with electricity consumption. Next DC leads the industry in using power effectively. The company's data centres are the only ones in Australia that are rated five stars for energy efficiency. As Mr Scroggie suggested, the best carbon is that which is not emitted at all. When building data centres Next DC focuses on procuring materials and constructing its data centres in an environmentally sound manner. The company offsets any carbon it produces through the Qantas Future Planet Programme.

We were also interested to read a lecture given by Fortescue's Chair outlining his plan to build Australia's first green steel pilot plant this year. This is part of a broader vision to build domestic steel processing capacity to convert Western Australian iron ore reserves into steel through hydrogen powered blast furnaces. We don't own shares in Fortescue, but we admire the new approach from one of Australia's largest mining companies and material CO2 emitters!

Next DC and Fortescue are both energy intensive businesses, yet they still strive to be environmentally sustainable. Other organisations should take note. It is better to proactively embrace sustainability than to be dragged into the future by customers, communities, investors, and regulators.

SELECT INTERNATIONAL EQUITIES

Ashley Gardyne, Senior Portfolio Manager

Economic recovery and markets in full flight - what's next?

Investor enthusiasm continues to propel markets higher in 2021, supported by the global vaccine roll-out and economic green shoots.

Investors need to plan for a post-COVID economy and consider who the next investment winners might be.

Global share markets have started 2021 with the same economic optimism we witnessed following the Pfizer vaccine announcement in November. Economic activity has surged in the US, driven by a rapid vaccine roll-out that has already reached a third of the population. Travel bookings have spiked, restaurants are serving more meals, and offices may reopen in September. The CEOs of Hilton and TripAdvisor predict much stronger travel volumes than initially expected. Vaccine optimism drove global markets 4.5% higher in the first quarter (according to the MSCI World Index), while the US S&P 500 Index is up 6.5%.

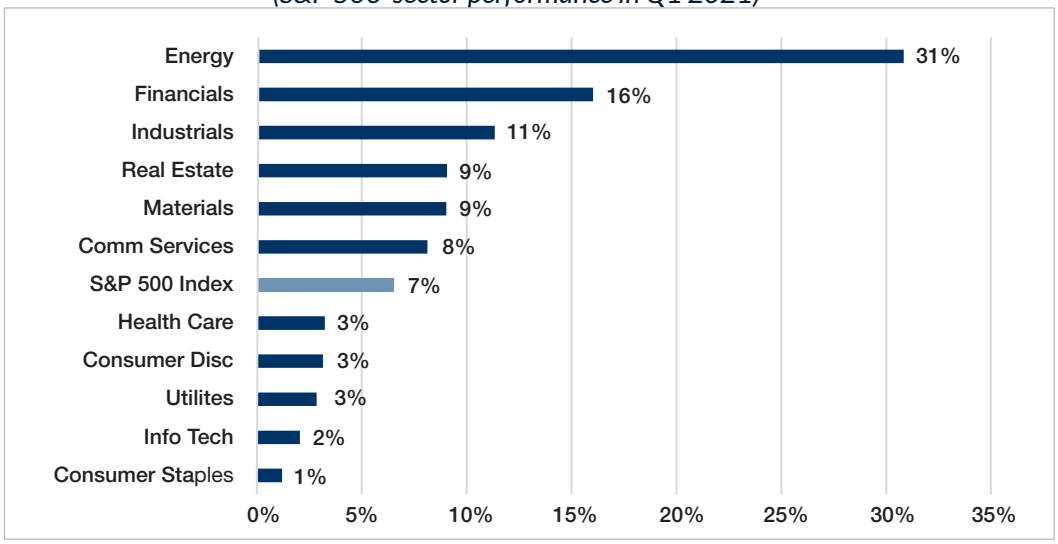
Strong portfolio performance despite lagging technology stocks

So far, 2021 contrasts starkly with last year, when the technology sector drove markets higher despite weak cyclical stocks. The first-quarter has instead been characterised by underperforming technology, healthcare, and consumer companies (which we tend to favour), and outperforming energy companies, banks, and industrials. Investors are essentially betting an economic recovery will benefit the sectors that struggled in 2020, at the expense of stay-at-home winners like Amazon and PayPal.

High quality growth companies have struggled so far in 2021. While the underperforming technology sector weighed on our portfolio, strong performances from a handful of companies — including Signature Bank — helped us outperform the market in the first quarter.

Cyclical outperformance a stark contrast to 2020

(S&P 500 sector performance in Q1 2021)



Three portfolio companies

Signature Bank (+67% in the quarter) continues to perform well, even compared to the broader US banking index, which was up +23% in the quarter. Underpinning this rise was an increase in the US 10-year government bond yield, which ended the quarter at 1.74%, up from 0.91% at the start of the year. Signature Bank is also benefiting from strong growth in its deposit franchise as it hires new banking teams and rapidly attracts new deposits.

Signature has had an influx of cheap deposits. This has come on the back of recent team hires in areas including fund banking (services to private equity firms), mortgage servicing, and cash management for cryptocurrency exchanges.

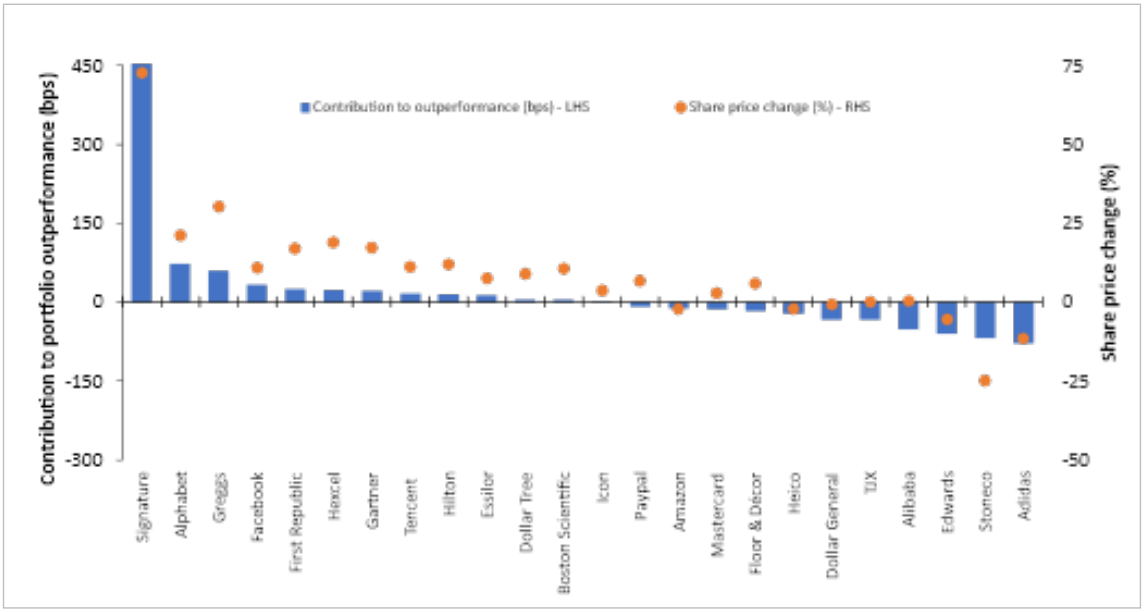
During the quarter, we reduced our Signature Bank position slightly after rapid share price growth took the holding up to a 12% weight in the portfolio. But the company remains one of our largest positions — we are still confident it can grow earnings at 10 to 20%.

Alphabet's (+18%) was driven by a strong digital advertising market and reports that advertisers are starting to return to pre-COVID advertising patterns.

Greggs (+25%) is an 'on-the-go' UK food retailer that we added to our portfolio in December. Our recent meeting with CEO Roger Whiteside made us much more positive about the ongoing effect of COVID and Gregg's long-term strategy.

Same-store sales are recovering quickly as the UK economy reopens. The company has resumed opening 100 new stores a year, and lifted its long-term target from 2,500 to 3,000 stores (they currently have 2,100), which still appears conservative. We are very encouraged by the company's progress in digital channels (delivery, and click and collect), a revamped loyalty program, and other initiatives to increase sales.

Signature Bank was by far the biggest contributor to portfolio performance
Contribution to portfolio outperformance (Q1 2021



Look ahead — avoid COVID 'tunnel vision'

The last year in markets has been defined by COVID. But it is easy to focus too much on COVID and get 'tunnel vision'. What COVID-driven behaviours will become permanent? How quickly will the vaccine roll-out progress? When will international travel resume? The questions are endless. While it is important to reflect on the lessons from the last year, investors also need to think ahead. You don't want to invest while looking in the rear-view mirror.

COVID tunnel vision has created several risks. At first there was a stampede to invest in companies that benefitted from lockdowns. These so-called 'COVID-beneficiaries' like Zoom (video calling), Shopify (ecommerce) and Teladoc (remote medicine) attracted very high investor interest and pushed valuations to stratospheric levels. We have also seen this behaviour in other high-growth companies like electric vehicle manufacturers, software, and biotech stocks. Many prices are now extreme.

More recently, investors have focused on companies that will benefit from economies reopening. Companies like Expedia, Southwest Airlines, and AMC (a cinema chain) are all trading above pre-pandemic levels though they are not fully out of the woods.

Are investors focussing too much on such stocks and overlooking other parts of the market? We think so.

Investors bidding up many high-growth tech stocks have neglected big 'boring' technology companies like our portfolio companies **Facebook, Alibaba** and **Amazon**. These companies have underperformed the market over the last six months. Facebook, for example, is benefiting from the ongoing move to online advertising. Its revenue is growing at over 20% a year — triple the market rate — while trading on a valuation multiple in line with the broader US share market. Investors are overlooking value in plain sight as they rush for the latest high-growth stocks.

Similarly, quality businesses that may not benefit as much in an economic upturn, but should still grow strongly through the cycle, are currently being ignored. Examples of these in our portfolio are our discount store investments (**Dollar General** and **Dollar Tree**), medical device company **Boston Scientific**, and UK food retailer **Greggs**.

NEW ZEALAND CASH AND FIXED INTEREST

David McLeish, Senior Portfolio Manager

New Zealand - the playbook for the rest of the world

Rising interest rates remained the major theme across global fixed income markets as investors continued to raise their expectations for economic growth and inflation. Rising interest rates pushed down the price of fixed income assets, which in turn negatively impacted returns.

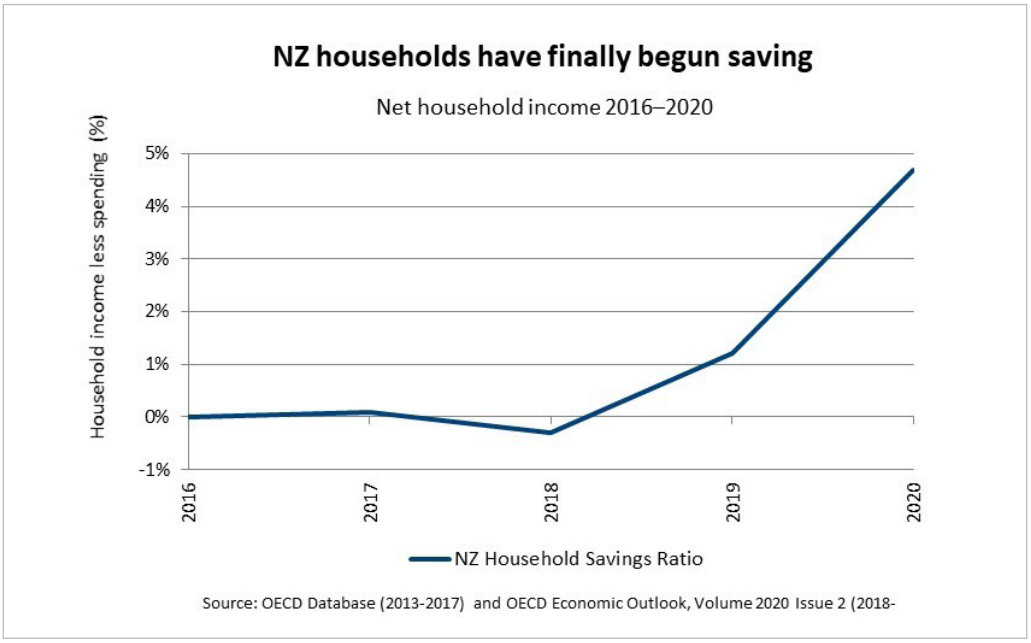
New Zealand is ahead of the pack.

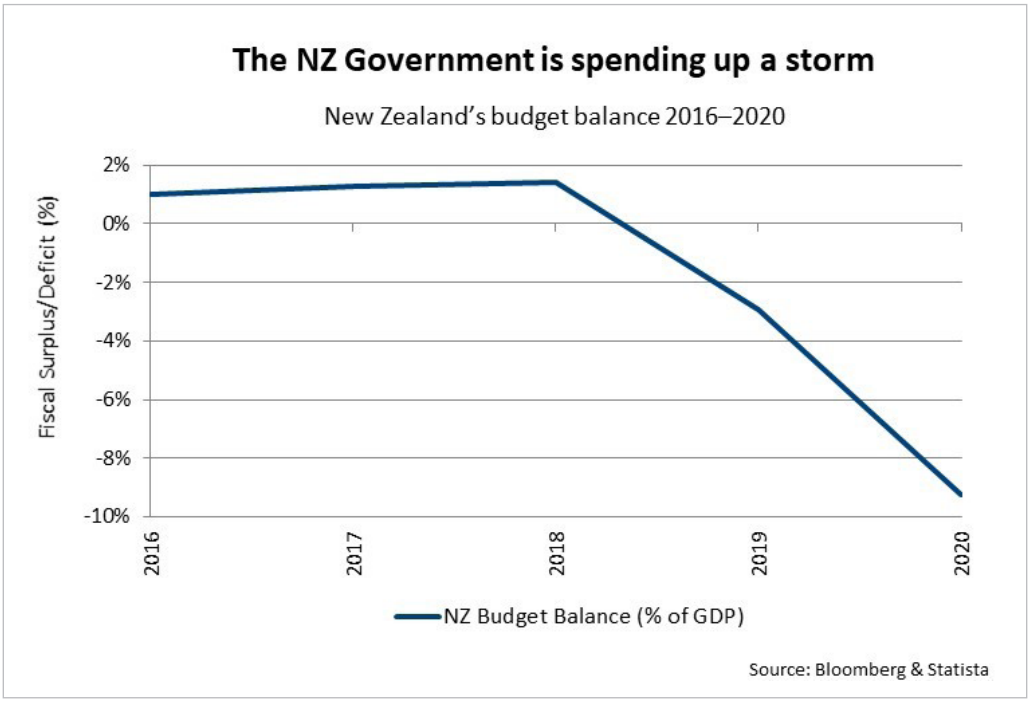
Baseball Hall of Famer, Lawrence "Yogi" Berra, once famously said "it's tough to make predictions, especially when they are about the future". This is particularly true of an economic cycle dominated by a global pandemic.

Investors are always looking for ways to use their experience to refine their game plan. But instead of looking at prior cycles for clues about how this one will play out; we believe New Zealand's 2020 experience can show much larger Northern Hemisphere economies what to expect now that they are reopening after a brutal COVID-fuelled winter.

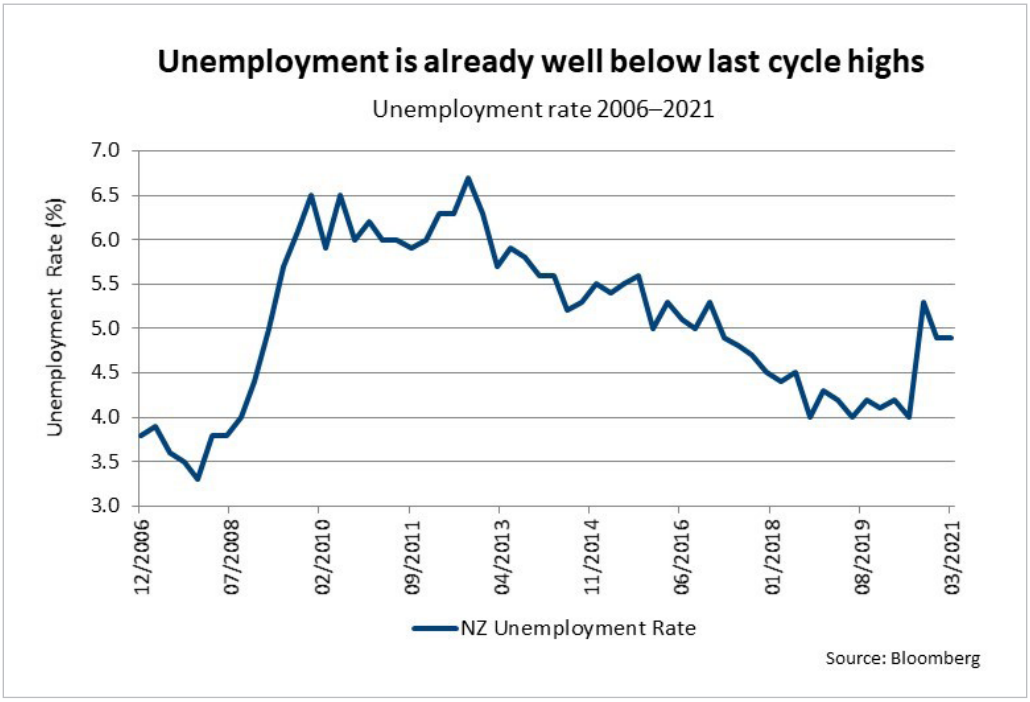
Household savings and government support cushioned New Zealand well

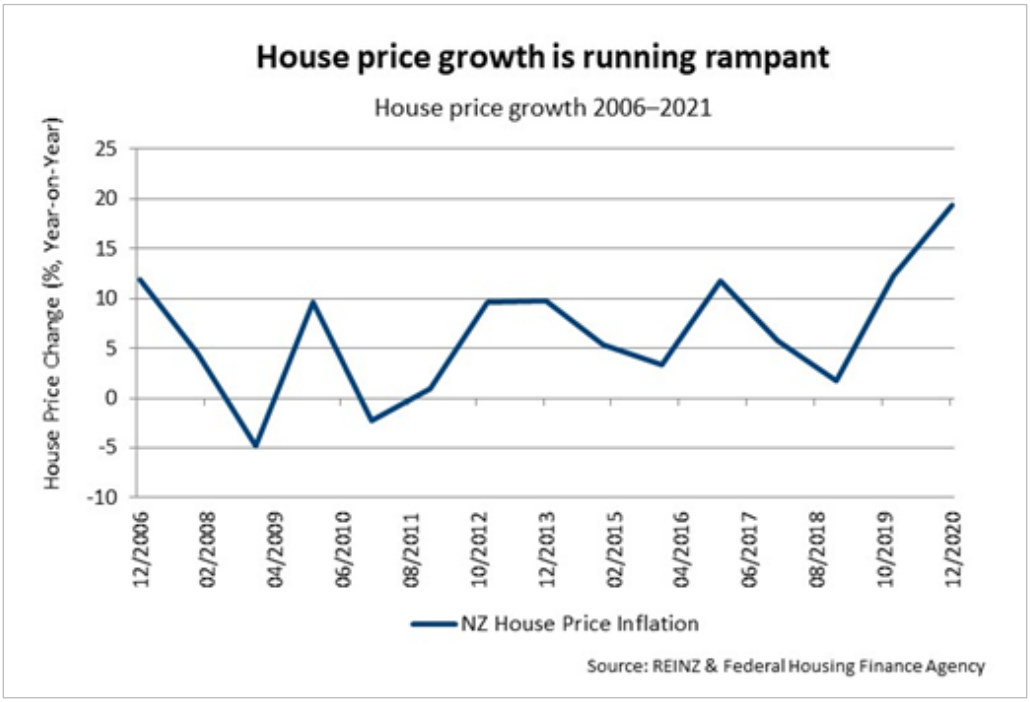
New Zealand experienced a severe but comparatively short series of lockdowns. This brought about several rational responses. Economic uncertainty alongside lockdown restrictions initially saw household savings rise, mostly due to people spending less. Government support also went into overdrive, creating a large fiscal deficit.





What's unique about this cycle though is that instead of households coming out of the downturn with their finances in tatters, they seem to be in comparatively good shape. Unemployment has stayed remarkably low and house prices are soaring.

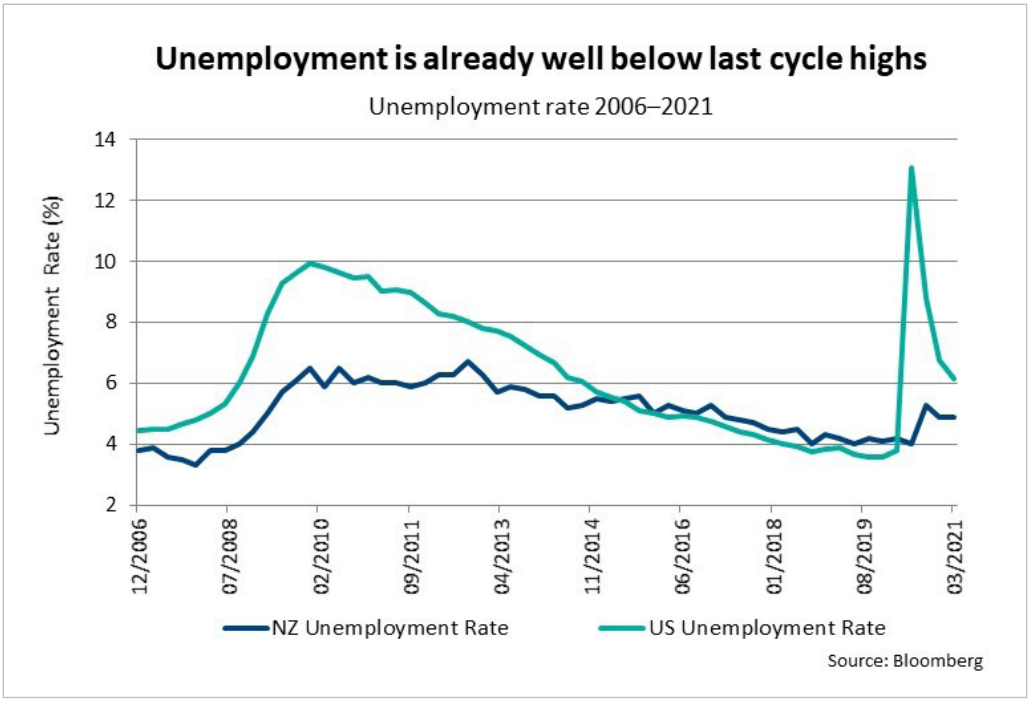


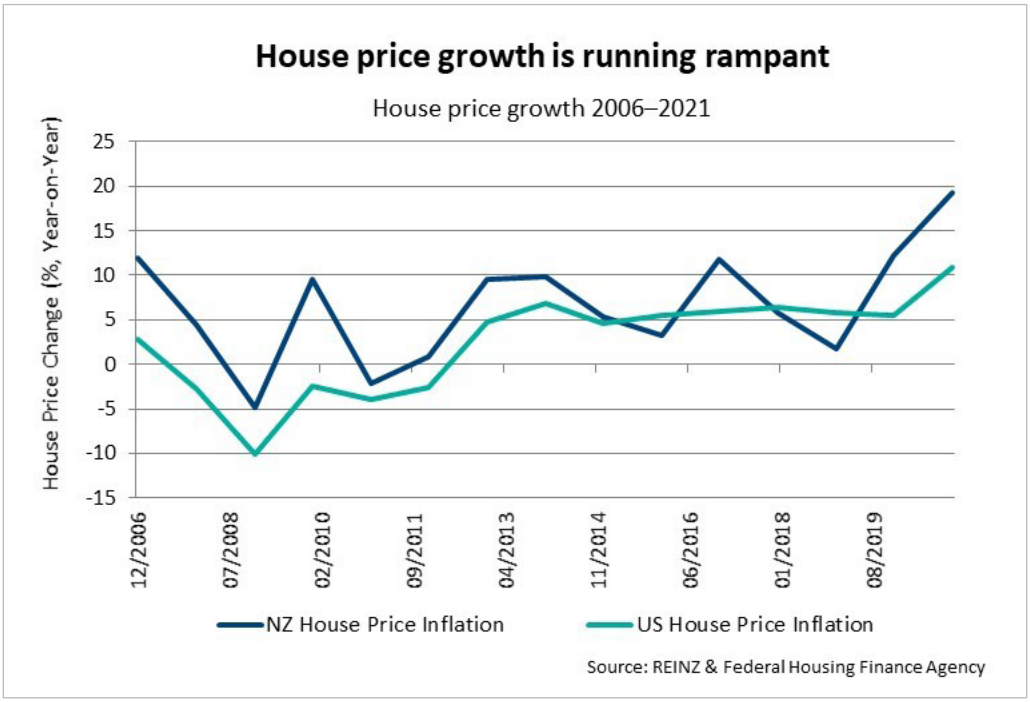


Household savings and government support were instrumental to New Zealand's strong recovery. Closed borders helped too, by trapping spending within our shores.

The US and New Zealand economies share important similarities.

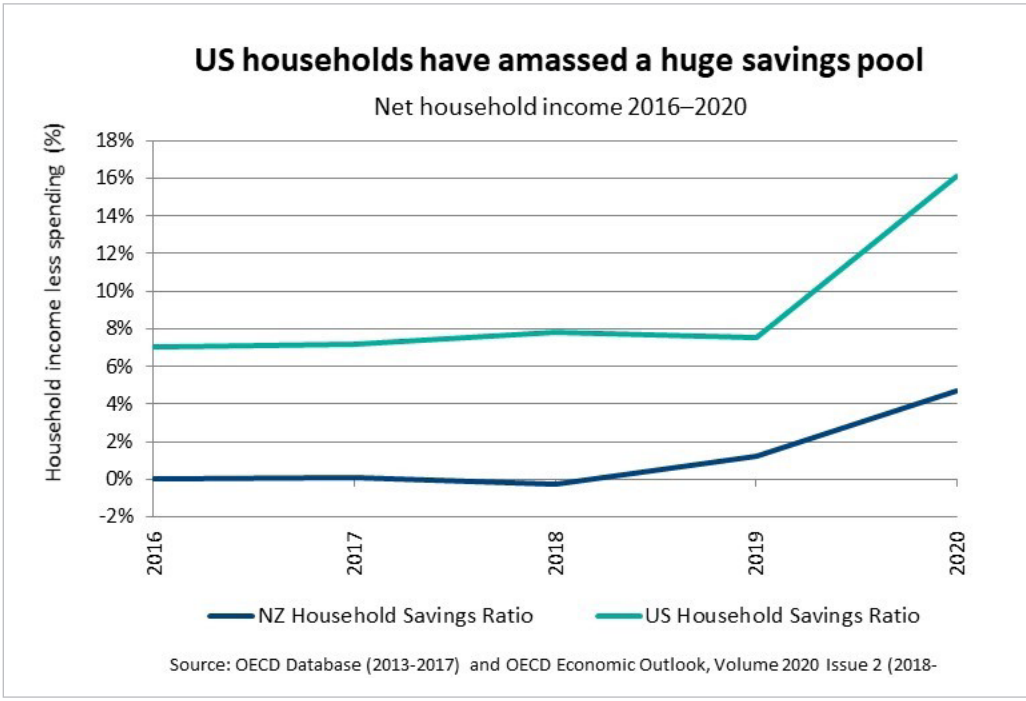
Despite a huge initial shock to the US labour market, US unemployment is also already well below levels seen during its recovery from the Global Financial Crisis. And much like New Zealand, house prices are now rising at rates not seen for a decade.





But could the consumer supercharge the US economic recovery?

These striking similarities suggest the US economy could well experience a similar boost to New Zealand's. But where things could be even rosier is on the consumer front.



In contrast to New Zealand, American households have amassed a massive $2 trillion (roughly 10% of GDP) in savings after their much longer restrictions. For a large, consumer-led economy, cashed-up households itching to get out into the spring weather this could really supercharge their recovery.

PROPERTY AND INFRASTRUCTURE

Sam Dickie, Senior Portfolio Manager

Speculative market activity has created opportunities for long term infrastructure investors

We are starting to witness speculation in parts of the stock market. The explosion of interest in renewable energy companies globally has had significant implications for New Zealand generation companies Contact and Meridian Energy.

A visitor from space could be forgiven for thinking the stock market is a lottery, rather than a way of investing in growing businesses.

The stock market can be speculative

The Dutch speculated on tulips in 1637. The world speculated on unproven internet companies in the Dotcom bubble. Now, the Robinhood phenomenon, SPACs (Special Purpose Acquisition Company - a company with no commercial operation is formed to raise capital (through an IPO) to acquire an existing company) and cryptocurrencies are all the rage.

The current speculation is driven by interest rates close to an all-time low, plus unprecedented amounts of liquidity sloshing around in global financial markets. Since March 2020, the US Federal Reserve's balance sheet has ballooned, and is now 3.5 times the size it was during the Global Financial Crisis.

Closer to home, exchange-traded funds (ETFs) for renewable electricity have been toying with the share prices of Meridian Energy and Contact Energy. Both companies are part of our Property & Infrastructure Fund.

Irrational exuberance is dangerous

The term "irrational exuberance" was a term that US Federal Reserve Chair Alan Greenspan used in a 1996 speech on the growing Dotcom bubble. Since then, the term has come to refer to unsustainable market behaviour.

People sometimes forget that the driver of company valuations is cash flow. When investors get carried away, irrational exuberance can cause share prices to get out of whack with reality, as you'll see below.

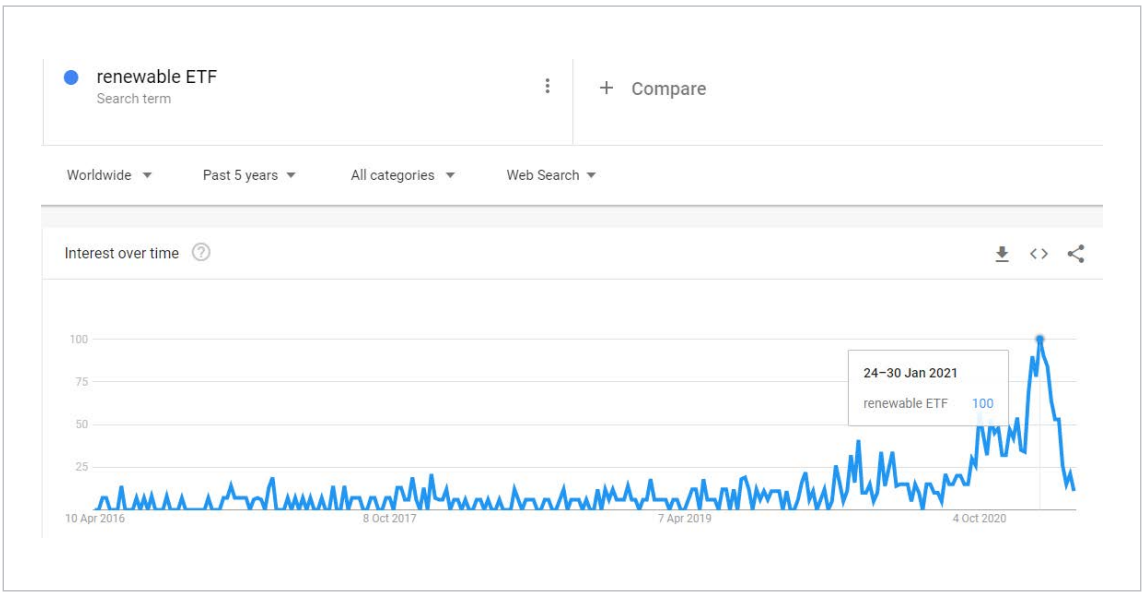
Contact Energy and Meridian Energy prices spiked, thanks to US interest

Renewable electricity will be critical to sustainable growth. New Zealand will need to reduce carbon emissions to prevent global warming, and generate electricity using renewable sources instead of fossil fuels. That is one reason Fisher Funds has invested in renewable electricity businesses like Meridian Energy, Contact Energy, Tilt Renewables, and Infratil.

We are fortunate to have a largely renewable electricity system in New Zealand: massive hydro dams, geothermal generation, and wind farms. The electricity system in the US is less developed but is set to accelerate under President Biden.

US investor interest in renewable energy has grown — see the spike in Google searches for "renewable ETF" below. This led to investments in iShares Global Clean Energy ETF (ICLN), which swelled from 58 million shares in June to 219 million shares at the end of January.

Renewable ETFs became super trendy....and then not so trendy.
Source: Google search



Because of their renewable business, two of the largest holdings in ICLN are Meridian Energy and Contact Energy. Did ICLN's US investors realise they were buying electricity companies in New Zealand, which should see minimal impact from Biden's clean energy reforms? We doubt it.

But this did not matter. The mechanical buying triggered by the investments in ICLN propelled Meridian Energy's share price from $5.30 on 1 November, to a high of $9.94 in January (+88%). Contact Energy's price rose from $7.38 to $11.16 (+51%). These are two large and relatively stable businesses with modest growth prospects. Not highly volatile start-up companies!

We capitalised on these high prices

At Fisher Funds we were following these developments closely. While we still like these companies, the spike in share prices made them less attractive investments than before. On top of the price spike, there was also a lot of uncertainty over the future of Tiwai Point Aluminium Smelter. If Tiwai shut as early as 2021, the market would be flooded with cheap electricity. We also believed the Contact Energy and Meridian Energy's share prices could fall when the frenzied buying eased off.

So we reduced our position, selling the shares into the strong ETF buying. In hindsight, we started selling too early, but it is difficult to predict irrational market behaviour.

In mid-January 2021, Rio Tinto confirmed that the smelter would operate until at least December 2024. This is positive for the New Zealand electricity industry. The later date gives New Zealand time to upgrade transmission infrastructure and plan a more orderly transition after the smelter eventually closes.

Since then, the calculation of holdings in the index underlying ICLN has changed. More companies have been added to the ETF. Investments in less liquid companies (such as Meridian Energy and Contact Energy) have been reduced to prevent this irrational exuberance happening again.

ICLN will likely need to sell many Meridian and Contact shares when it rebalances its weightings on 16 April 2021. This has created an overhang and caused significant weakness in the share prices, which have retreated to below 1 November 2020 levels. Because we focus on fundamentals, we have increased our positions again, and have been buying shares in both companies at recent low prices.

We rarely see such intriguing irrationality in our portfolio companies, but when we do, we are well placed to capitalise on it.

Acquisition of Tilt Renewables is another sign of the times

Low interest rates and all-time high liquidity are driving elevated merger and acquisition activity.

PowAR and Mercury recently made a binding offer to acquire Tilt Renewables for $7.80 per share. While we dislike losing a core portfolio holding (approximately 7% of the portfolio), the bid price is a 99% higher than before the takeover proposal in December 2020. The high price reflects the significant value in Tilt's project pipeline (over 3,000MW). Before the offer, the market price was only valuing Tilt's operating assets (around 837MW). We expect the takeover to be completed by the end of August 2021.

The Tilt deal is testimony to Infratil's ability to source, execute and manage attractive investments. Infratil has multiple attractive options for capital deployment for the approximately $1.9 billion it will receive for its 65% stake in Tilt. This includes renewable energy platforms in the USA (Longroad), Europe (Galileo), and the Qscan healthcare platform it acquired last year. Infratil manager Morrison & Co purchased $20 million of Infratil shares for a team incentive plan recently — another important vote of confidence in Infratil.

MARKET MOVEMENTS

As at 31 March 2021

Stock Markets*	Closing Values	Changes over: 1 Mth %	3 Mths %	6 Mths %	12 Mths %
S&P Developed LargeMidCap - (Local Curr)	1069	4.3	6.4	19.7	51.4
S&P Developed LargeMidCap ($NZ)	N/A	4.3	5.3	8.8	23.4
S&P Global LargeMidCap ($NZ)	N/A	6.6	7.6	13.3	31.1
USA - S & P 500	8238	4.4	6.2	19.1	56.4
USA - Nasdaq	15724	0.5	3.0	19.0	73.4
Japan - Topix	3081	5.7	9.3	21.5	42.1
UK - FTSE100	6482	4.2	5.0	16.4	21.9
Germany - DAX	15008	8.9	9.4	17.6	51.1
France - CAC40	16917	6.5	9.6	26.9	41.0
HK - Hang Seng	85122	-1.8	4.5	21.5	23.9
Australia - S & P 300	75927	2.3	4.2	18.5	38.3
NZ-S&P/NZX 50 Gross Index (inc imp credits)	15401	2.9	-3.9	7.2	28.9
NZ-S&P/NZX 50 Gross Index (excl imp credits)	12561	2.7	-4.1	6.9	28.2
Market Volatility - VIX	19.4	-30.6	-14.7	-26.4	-63.8

New Zealand Property		%	%	%	%
S&P/NZX All Real Estate (inc imp credits)	1907.9	0.5	-4.1	4.3	26.3
S&P/NZX All Real Estate (exc imp credits)	1813.4	0.4	-4.2	3.9	25.6

Ten Year Bonds	%	Yield Changes			
USA	1.74	0.30	0.81	1.05	1.12
Japan	0.09	-0.07	0.07	0.07	0.07
United Kingdom	0.83	0.02	0.63	0.61	0.50
Australia	1.79	-0.10	0.82	1.00	1.03
New Zealand	1.81	-0.08	0.82	1.31	0.73

90-Day Interest Rates	%	Yield Changes			
USA	0.03	-0.01	-0.06	-0.07	-0.08
Japan	0.07	-0.01	-0.01	-0.01	0.00
United Kingdom	0.09	0.02	0.06	0.03	-0.51
Australia	0.04	0.01	0.03	-0.05	-0.33
New Zealand	0.35	0.04	0.08	0.04	-0.14

Bond Indices	Closing Values	Changes over: 1 Mth %	3 Mths %	6 Mths %	12 Mths %
S&P/NZX Bank Bills 90-Day	734.62	0.03	0.06	0.14	0.33
S&P/NZX NZ Government Bond Index	1867	0.71	-3.43	-6.17	-1.61
Barclays Capital Global Aggregate Index (Hedged NZD)	N/A	-0.41	-2.49	-1.68	1.39

Hedge Funds & Commodities		%	%	%	%
HFRX Global Hedge Fund Index (USD)	1398	-0.1	1.3	6.5	16.2
DJ-UBS Commodity Index Total Return	178	-2.1	6.9	17.8	35.0
Gold (US$/ounce)	1713.80	-0.8	-9.5	-9.2	8.2
Oil (US$/barrel)	63.52	-3.6	24.0	57.6	327.7

Currencies		%	%	%	%
NZD / USD	7.5	2.4	8.9	11.8	6.7
NZD / EUR	0.5885	0.2	4.4	2.7	-2.1
NZD / GBP	0.5267	0.1	3.0	1.1	3.4
NZD / AUD	0.9331	-2.2	1.2	-0.2	-2.8
NZD / YEN	74.34	1.4	6.6	7.0	1.4
Trade Weighted Index	74.23	1.7	3.1	3.7	2.1

**Total Return Indices. Indices are net of offshore tax.*
Source: Thomson Reuters Datastream