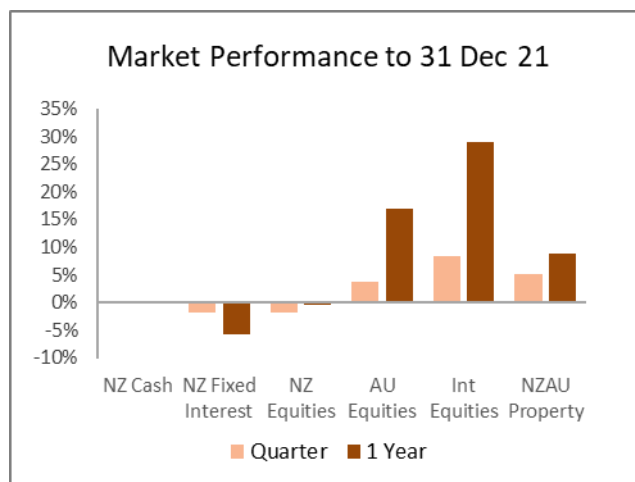


Tirohanga ki te makete mō Hakihea 2021

He waka eke noa: a canoe which we are all in with no exception

Market Overview



Market Data: NZX 90 Day Bank Bill, NZX Composite A Grade, NZX50, ASX200 (NZD), MSCI World (NZD), NZX Prop/ASX200 Prop comp

Despite slowing growth in the global economy and inflation becoming more entrenched, the major share markets continued to advance, and interest rates, though volatile, were generally higher in the December quarter. Global shortage of goods (supply chain and labour constraints) was continuing to affect the economies, while the highly leveraged Chinese property sector was clouding their economy. The arrival of Omicron has added to the uncertain outlook, although by quarter end, the general view was that despite being more contagious, its health impact was not as severe as Delta.

Inflation is on the rise globally and remains the biggest threat to the financial markets. Central

banks, recognising it may not be transient, are finally responding to the risk. However, monetary policies are still accommodating with low interest rates while some central banks are still adding liquidity to their economy with asset purchases, albeit at a reducing level.

While inflation will force central banks to lift interest rates this year, the extent will be muted, recognising the level of government indebtedness. Consequently, the global economy is likely to continue its growth as governments are reluctant to impose further lockdown. However, Omicron, or any further variant, will ensure a volatile financial market.

Market Themes - Quarter

NZ Fixed

Interest
-1.71%



Australian
Equities
3.68%



NZ

Equities
-1.82%



International
Equities
8.43%



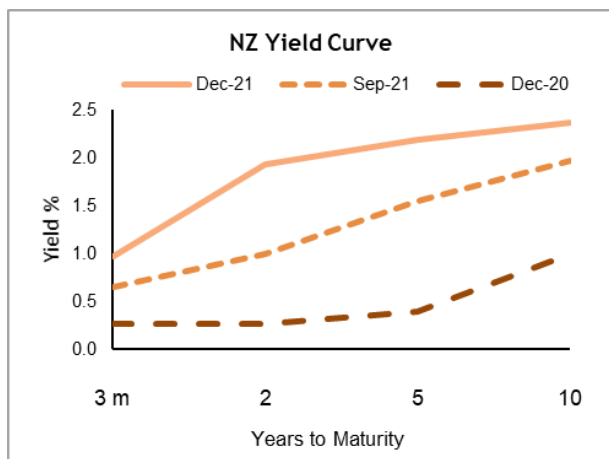
NZ Cash and Fixed Interest

The RBNZ has lifted the official cash rate twice in the quarter to 0.75% as inflation has risen to 4.9% and further increases in the cash rate is expected in 2022. While the short-term rates have risen sharply, the longer term is relatively less, reflecting the bond market view that inflation will, in time, be contained.

Bonds (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX 90 Day Bank Bill	737	0.2%	0.2%	0.4%	0.9%	1.3%	2.1%	3.2%
NZX Govt Bond Index	1,814	-1.8%	-3.1%	-6.2%	1.2%	2.8%	3.3%	4.9%
NZX Composite A Grade	5,075	-1.7%	-2.9%	-5.6%	1.5%	2.9%	3.5%	5.1%



MARKET REVIEW December 2021



In contrast to the global share markets, our share market was down in the quarter as interest rates rose, the economy contracted with risk of further weakness following the Auckland lockdown and some major company specific issues. Overall company earnings remain sound, and December saw a 2.5% recovery.

The Australian share market performed stronger than ours with gains in the quarter and the year. Despite COVID issues, their economy has fared better with lower decline in weakness and lower inflation. The strength in commodity prices (oil and iron ore) has been the major contributor to their economy.

New Zealand & Australian Equities

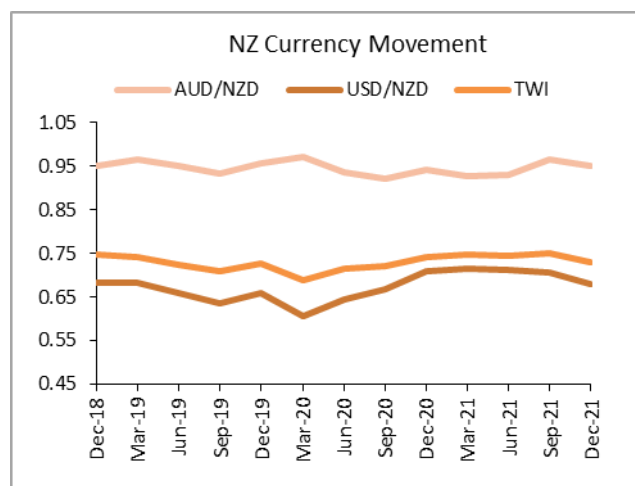
Equities (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX50	13,034	-1.8%	3.0%	-0.4%	13.9%	13.6%	14.8%	8.1%
ASX200 (Local)	86,174	2.2%	3.9%	17.3%	13.6%	9.8%	10.8%	6.2%
ASX200 (NZD)	91,470	3.7%	2.7%	16.8%	14.0%	10.2%	8.5%	5.9%

International Equities

Equities (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
MSCI World (Local)	7,429	8.1%	8.7%	24.2%	21.5%	14.5%	13.6%	7.6%
MSCI World (NZD)	14,279	8.4%	10.4%	28.9%	21.0%	15.4%	14.2%	7.7%

After a relatively flat September quarter, the global share market rose strongly in the December quarter. The gain was driven by the US share market, which rose over 10% as corporate earnings continued to rise strongly on the back of economic growth. While inflation has also risen strongly, but appears to be moderating, the Federal Reserve continue to support liquidity and yet to lift their short-term rate.

Gains in other share markets have been modest as COVID continues to trouble their economies, particularly in emerging markets. While inflation has risen globally, cash rate remains low, particularly in Europe which is at zero or still negative.



Property (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX Property	1,642	0.7%	3.2%	-0.7%	8.2%	8.1%	10.4%	6.7%
ASX200 Property (NZD)	4,189	9.8%	10.3%	18.3%	8.2%	4.3%	5.8%	-2.7%
Commodities (% change)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
Oil Prices (US\$/WTI)	75.21	0.2%	2.4%	55.0%	18.3%	7.0%	-2.7%	1.4%
CRB Index	232.37	1.5%	8.9%	27.8%	11.0%	3.8%	-2.7%	-1.8%