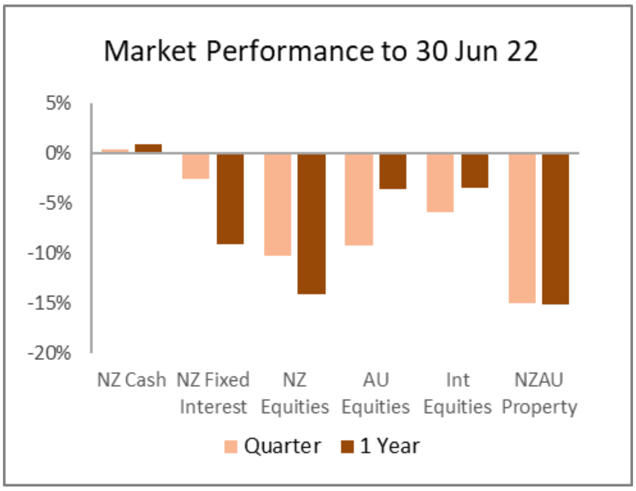
Tirohanga ki te makete mō Pipiri 2022 — *He waka eke noa: a canoe which we are all in with no exception*

Market Overview



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

The financial markets have responded to the rapid rise in global inflation and the uncertain economic outlook. Globally, both the fixed interest and the share markets weakened significantly in the June quarter. Central banks have responded aggressively in lifting cash rates to curb demand for goods and services. Excess demand was one factor in the rise in inflation. Additional increase in cash rates is likely as central banks endeavour to further curb demand and attempt to contain and then reduce inflation. However, central banks have no influence in the larger factor behind high inflation, supply of goods and services. The COVID imposed lockdown in China and the labour shortages globally have not improved supply. There has been some improvement in the transport of goods, but more production is required to match demand.

Higher interest rates are slowing the global economy and the financial markets are struggling to assess the severity of the slowdown. A global recession is likely, but could we have stagflation (stagnant economy with high inflation)?

Central banks may succeed in limiting the rise in inflation, but the secondary impact of wage pressure and high energy cost suggest that it is likely to remain elevated for some time. The future remains uncertain ensuring greater financial market volatility ahead.

Market Themes - Quarterly (NZD)

NZ Fixed Interest -2.63%

NZ Equities -10.25%

Australian Equities -9.24%

International Equities -5.91%

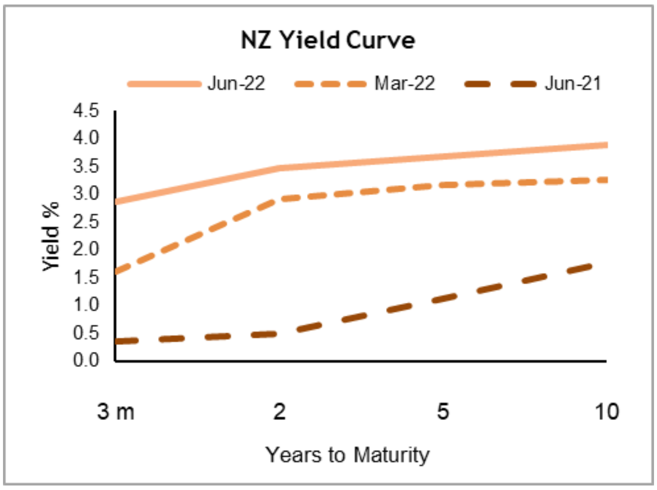
NZ Cash and Fixed Interest

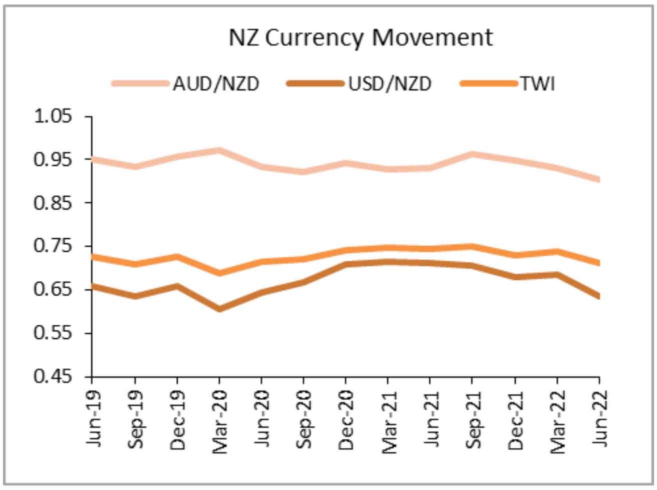
Te Putea Matua (RBNZ) has lifted the Official Cash rate from 1% in March to 2% in June and their expectation in May, is a rate of 3.95% by the end of 2022. For the March quarter (latest data), inflation was 6.9% and the economy contracted by 0.2%. The June quarter outcomes is eagerly awaited to see whether there is any change in the Bank's expectation.

In the financial markets, interest rates have risen with the 90 Days Bank bill rate rising from 1.6% to 2.9% in the quarter while the 10 Year Government bond has been somewhat muted, up 0.6% to 3.9%. If the RBNZ expectation holds, further increases are likely, particularly for shorter maturity. Finally, the savers are getting some return, albeit still nominal.

Bonds (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX 90 Day Bank Bill	741	0.4%	0.6%	0.8%	0.8%	1.3%	2.1%	2.9%
NZX Govt Bond Index	1,679	-3.2%	-7.4%	-10.3%	-2.9%	0.6%	2.2%	4.4%
NZX Composite A Grade	4,752	-2.6%	-6.4%	-9.1%	-2.2%	1.0%	2.5%	4.6%

MARKET REVIEW
June 2022





New Zealand & Australian Equities

Equities (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX50	10,869	-10.3%	-16.6%	-14.1%	1.2%	7.4%	12.3%	6.5%
ASX200 (Local)	77,569	-11.7%	-10.0%	-6.5%	3.3%	6.8%	9.3%	4.7%
ASX200 (NZD)	85,892	-9.2%	-6.1%	-3.6%	5.3%	8.0%	7.7%	4.7%

While both the Aotearoa and Australian share markets performed better than the global market, they couldn't avoid the trend with rising inflation, higher interest rates and slowing economies. Both had favourable corporate reporting in May but the uncertain outlook globally impacted performance.

The interest-rate sensitive Aotearoa share market was lower given large portion of the market has high dividend yields, whose attraction fades with higher interest rates. The Australian share market was similarly impacted but was further weakened as commodity prices fell late in the quarter.

International Equities

Equities (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
MSCI World (Local)	6,072.561	-14.3%	-18.3%	-11.1%	7.9%	8.3%	10.7%	5.6%
MSCI World (NZD)	12,481	-5.9%	-12.6%	-3.5%	9.7%	11.3%	12.3%	6.7%

The decline in the global share market this quarter was dominated by the US as the S&P 500 index fell 16% as the valuation of the highly valued sectors (technology and biotech) were impacted by rising interest rates. Europe was 12% lower as the energy crisis lifted inflation (8.6%) and economic confidence deteriorated. The Chinese share market rose 4% as it emerged from strict regional COVID lockdowns.

There are favourable inflation signs as transport congestion easing and at lower prices. However, production volume is not helped by labour shortage. Slowing economy should reduce demand for goods but high energy costs and potential wage inflation is not helping the central banks, & uncertain economic outlook persists. Markets are likely to remain volatile.

Property (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX Property	1,323	-13.5%	-19.5%	-16.8%	-5.0%	2.4%	7.0%	4.8%
ASX200 Property (NZD)	3,289	-16.5%	-21.5%	-13.4%	-5.5%	0.1%	2.4%	-4.0%
Commodities (% change)	**Level**	**3M**	**6M**	**1Y**	**3Y**	**5Y**	**10Y**	**15Y**
Oil Prices (US$/WTI)	105.76	5.5%	40.6%	43.9%	21.8%	18.1%	2.2%	2.7%
CRB Index	291.15	-1.4%	25.3%	36.4%	17.2%	10.7%	0.2%	-0.5%