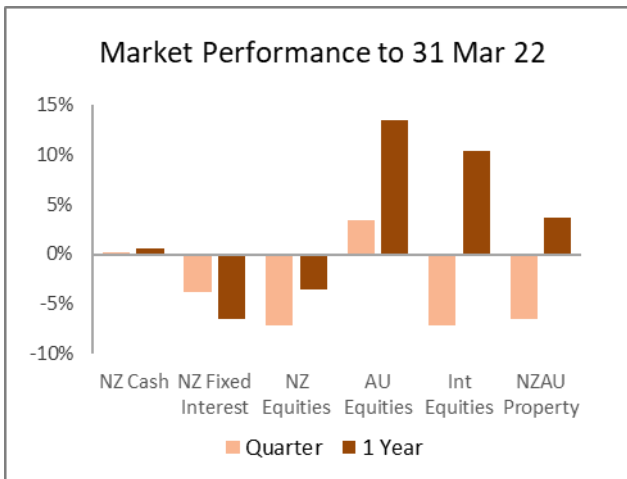


## Tirohanga ki te makete mō Poutūterangi 2022

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

### Market Overview



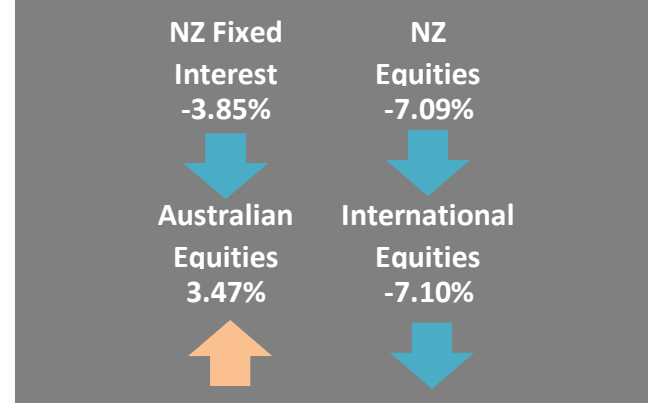
Market Data; NZX 90 Day Bank Bill, NZX Composite A Grade, NZX50, ASX200 (NZD), MSCI World (NZD), NZX Prop/ASX200 Prop comp

Inflation has arisen as a major risk as demand for goods exceeds supply. There was an expectation that the supply chain problem would gradually unwind and that central banks tightening of the extremely loose monetary policies would curb demand for goods. This would lead to a reduction in inflationary pressure and enable the global economy to achieve a slower growth as Omicron risk abates and economies reopen. The February invasion of Ukraine ended that expectation.

While the inhumane treatment of Ukrainians is unbelievably tragic, the economic consequence had worldwide consequences. Commodity prices rose given the level of global supply of certain exports from Ukraine and Russia and supply chain once again became disrupted.

Inflation is likely to remain elevated and remains the biggest risk to the financial markets. Central banks' endeavours to contain inflation just got harder and policy mistakes could heighten the risk of recession over the next year or two. The future has become more uncertain ensuring greater financial market volatility ahead.

### Market Themes - Quarter

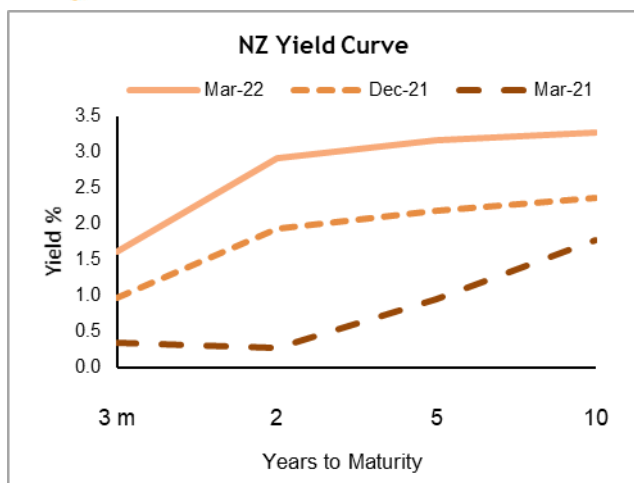


### NZ Cash and Fixed Interest

The Official Cash rate has been increasing at 0.25% increments recently and rose 0.25% to 1% in the March quarter. With headline inflation at 5.9% in the December quarter and the RBNZ forecast of the OCR exceeding 3% by the end of 2023, another increase is imminent this week with the possibility of a 0.5% rise.

In the financial markets, interest rates have risen by nearly 1% in the quarter, with the 10 Year Government bond at 3.27% on 31 March. Further increases are likely if RBNZ OCR forecast prove accurate and Aotearoa avoids a recession, given our relative current economic strength.

Bonds (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX 90 Day Bank Bill	739	0.2%	0.4%	0.5%	0.8%	1.3%	2.1%	3.0%
NZX Govt Bond Index	1,735	-4.3%	-6.1%	-7.1%	-1.3%	1.6%	2.9%	4.5%
NZX Composite A Grade	4,880	-3.9%	-5.5%	-6.5%	-0.8%	1.8%	3.1%	4.7%



The Aotearoa and Australian share markets moved in opposite directions in the March quarter and March year end. For both periods, the Aotearoa share market was lower as it is sensitive to interest rate movements given large portion of the market has high dividend yields, whose attraction fades with higher interest rates. The Australian share market was higher in the quarter and March year. The energy and material sectors were strong performers on the back of higher commodity prices.

### New Zealand & Australian Equities

Equities (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX50	12,110	-7.1%	-8.8%	-3.6%	7.1%	11.0%	13.2%	7.5%
ASX200 (Local)	87,892	2.0%	4.2%	14.8%	10.5%	9.2%	10.1%	5.9%
ASX200 (NZD)	94,640	3.5%	7.3%	13.5%	11.0%	8.9%	8.4%	5.6%

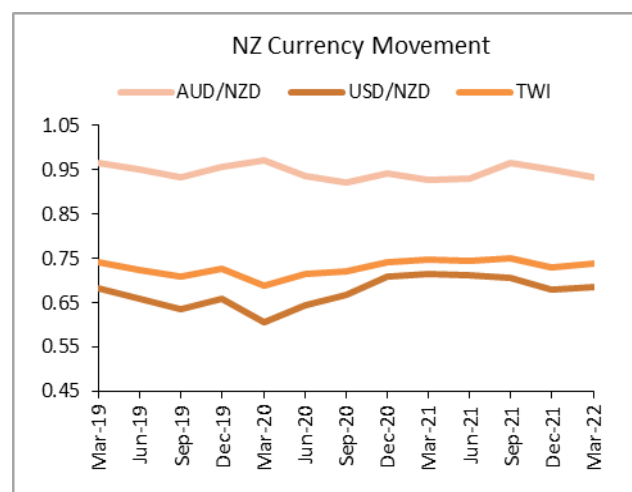
### International Equities

Equities (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
MSCI World (Local)	7,088.649	-4.6%	3.2%	11.6%	15.0%	12.3%	11.9%	7.1%
MSCI World (NZD)	13,266	-7.1%	0.7%	10.3%	16.2%	12.5%	12.7%	7.0%

Volatility in the international share markets increased in November and continued into the March quarter. Overall, the MSCI World Index was down in the quarter by around 5% (in US dollar terms) as inflation outcomes and expectation of central banks tightening sent bond yields rising.

Restoring the supply chain has become more acute as manufacturing in China has been impacted by strict COVID lockdown measures and congestion in logistics. Furthermore, high oil price affects all aspects of the economy and a tight labour market is fostering another wave of price increases. Central banks' endeavour to contain inflation is dependent on curbing demand.

Without government tax support, an aggressive lift in interest rates has the potential to adversely impact the economy. Financial markets are likely to remain volatile as investors monitor central banks actions.



Property (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX Property	1,529	-6.9%	-6.2%	-2.8%	3.1%	6.2%	8.8%	5.6%
ASX200 Property (NZD)	3,940	-6.0%	3.2%	10.1%	1.1%	2.2%	5.1%	-2.9%
Commodities (% change)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
Oil Prices (US\$/WTI)	100.28	33.3%	33.7%	69.5%	18.6%	14.7%	-0.3%	2.8%
CRB Index	295.18	27.0%	28.9%	59.6%	17.1%	9.7%	-0.4%	-0.5%