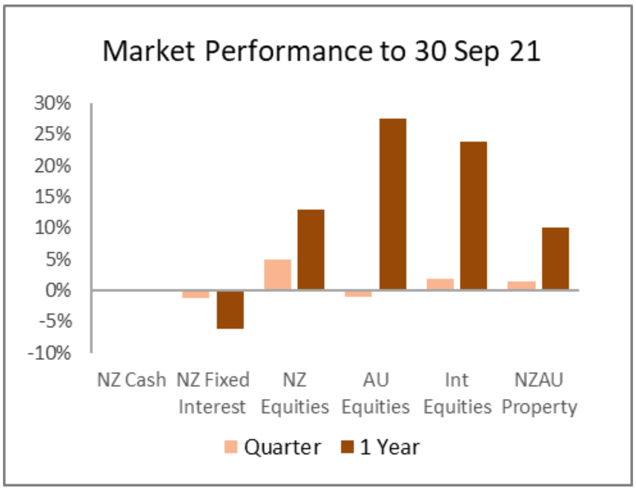
Tirohanga ki te makete mō Mahuru 2021

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

Market Overview



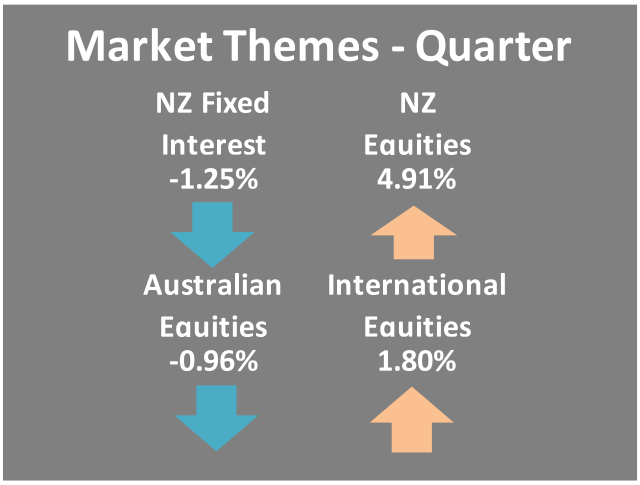
Market Data; NZX 90 Day Bank Bill, NZX Composite A Grade, NZX50, ASX200 (NZD), MSCI World (NZD), NZX Prop/ASX200 Prop comp

The financial markets began the September quarter with the trend of the June quarter with bond yields easing and the share markets rising. However, the markets in September (traditionally a weak month for share markets), hit, 'a wall of worry' which saw bond yields rise and shares weaken. Contributing to the worry were the continued spread of Covid 19 delta variant and inflationary fears. These fears leading to a slowing global economy. Inflation is rising from supply chain problems, labour shortage and more recently, the increase in oil price.

While the central banks still perceive the inflation risk as transitory (price increase will abate from current levels as the economies re-opens while supply chain and labour shortages are resolved), they no longer see the need for the extremely loose monetary policies. Investors have mixed views on whether inflation is transitory, and many were surprised with the earlier timing of modest monetary policy tightening by the central banks.

As vaccination rates in major countries continues to rise and the increasing prospects of governments' willingness to open their economy and live with the virus, the outlook for the global economy improves. Central banks are likely to lift interest rates modestly to support the highly indebted governments and minimise mortgage default, given their transitory inflation view.

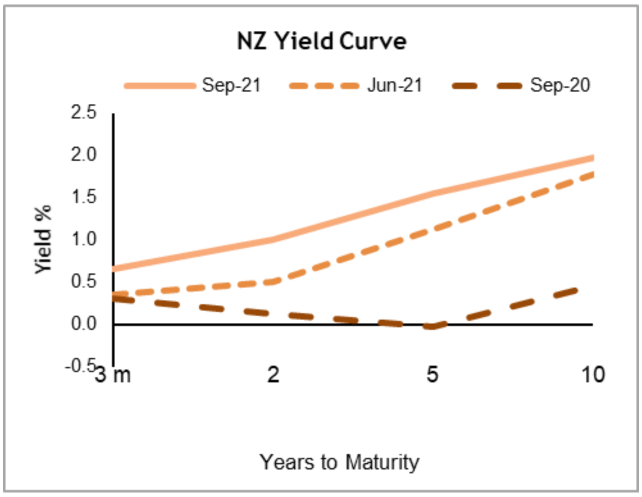
In this environment the share markets are likely to gain, based on rising corporate earnings, but the pace of interest rate increase will determine their advance.



NZ Cash and Fixed Interest

The much-anticipated lift in Te Pūtea Matua cash rate in August was delayed by a month, by the onset of economic lockdown. However, interest rates started to move higher in the quarter with greater movement in September and in securities with medium term maturity. The 90 days bank bill advanced from 0.36% to 0.65% while the 2-year bond rose from 0.54% to 1.02%.

Bonds (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX 90 Day Bank Bill	736	0.1%	0.2%	0.3%	1.0%	1.4%	2.2%	3.3%
NZX Govt Bond Index	1,848	-1.2%	-1.0%	-7.2%	2.4%	2.4%	3.9%	5.1%
NZX Composite A Grade	5,164	-1.2%	-1.0%	-6.2%	2.6%	2.7%	4.0%	5.3%



Following a very good corporate reporting in August, both the Aotearoa and the Australian share markets moved higher in the quarter. Global economy re-opening companies (travel, retail, and industrials) rose while interest rate sensitive companies (real estate and utilities) were weaker. Company specific issues lead to varied movement with Fisher & Paykel losing value as Covid induced demand is declining while some recent share price falls (A2 Milk, Sanford, Synlait Milk) saw some recovery. In Australia, mining companies' shares were weak (lower metal prices) while prices of energy companies (oil, gas, and coal) and banks were higher.

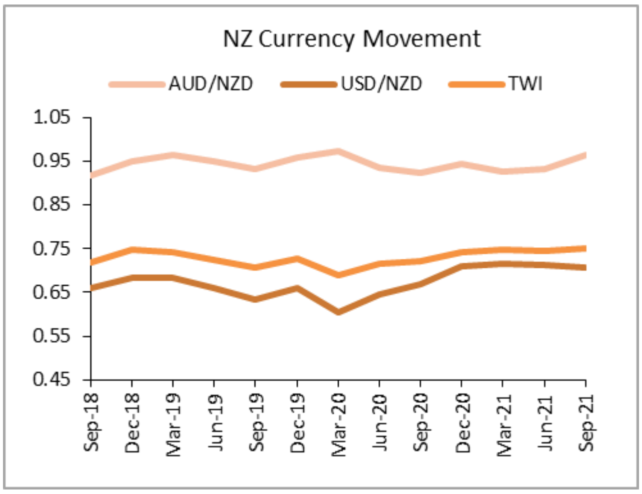
New Zealand & Australian Equities

Equities (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX50	13,276	4.9%	5.7%	13.0%	12.4%	12.5%	14.8%	9.1%
ASX200 (Local)	84,328	1.7%	10.1%	31.6%	9.6%	10.4%	10.8%	6.8%
ASX200 (NZD)	88,228	-1.0%	5.8%	27.4%	8.1%	10.3%	8.7%	6.2%

International Equities

Equities (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
MSCI World (Local)	6,871	0.6%	8.2%	29.0%	13.0%	13.8%	13.6%	7.5%
MSCI World (NZD)	13,169	1.8%	9.5%	23.7%	11.7%	15.1%	13.8%	7.1%

Most major countries share markets lost value in the September quarter from the 'wall of worry'. The Japanese market was positive, mainly due to rising expectations of further fiscal stimulus at the November general election. Overall developed markets lost around 5%. Emerging markets lost around 15%, as the Chinese market was rocked by the fate of its property developing sector as Evergrande defaulted on interest payments. Given the significant of the sector to the Chinese economy and under the government's 'social objective' and 'common prosperity' policies, there is likely to be an Official response to protect the homeowners and foster an industry rationalisation.



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Property (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX Property	1,630	2.5%	3.6%	5.9%	8.1%	6.4%	10.3%	7.5%
ASX200 Property (NZD)	3,817	0.5%	6.7%	14.4%	1.0%	1.7%	5.4%	-2.7%
Commodities (% change)	**Level**	**3M**	**6M**	**1Y**	**3Y**	**5Y**	**10Y**	**15Y**
Oil Prices (US$/WTI)	75	2.1%	26.8%	86.5%	0.8%	9.2%	-0.5%	1.2%
CRB Index	229	7.3%	23.8%	54.1%	5.5%	4.2%	-2.6%	-1.9%