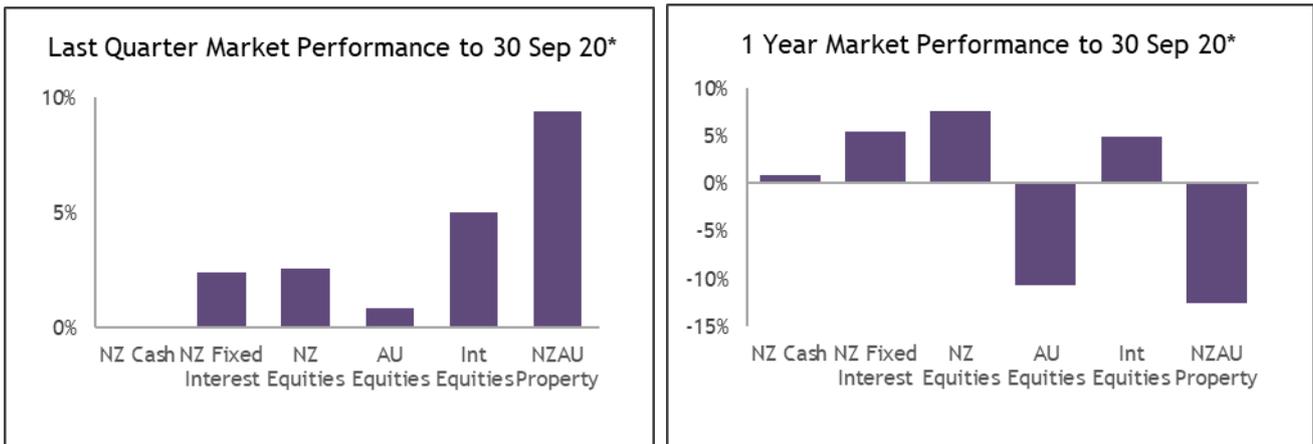


IWIinvestor Market Review: September 2020

Tirohanga ki te makete mō Mahuru 2020

Na te pu takitahi, nga weuweu takitini: From one seed grows many strands

Market Overview



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

The financial market in the September quarter saw a repetition of the June quarter with rising share markets and easing interest rates. Both markets largely influenced by central banks attempt to keep interest rates low for longer and support the economic recovery.

The global share market (MSCI ACWI) rose 7.2% despite losing 3.8% in September. Largely favourable economic indicators from the low in the June quarter, expectation of further government stimulus to support the economy ahead of vaccine arrival and strong corporate reporting (mainly in technology and healthcare sectors) more than offset the continued US / China tension and recurrence of COVID 19 infections in most developed economies and continued escalation in emerging economies. The pullback in September occurred as investors reassessed the strong August share price rise in the technology sector and concerns of delay in further Government support in the United States.

While official cash rates were steady globally, central banks' bond buying programme achieved their goal of reducing bond yields and term deposit rates during the quarter. That trend is likely to continue.

Quarter Benchmark Performance:

-  NZ Fixed Interest up 2.4%
-  NZ Equities: up 2.6%
-  Australian Equities: up 0.9% (NZD), down -0.1% (local currency).
-  International Equities: up 5.0% (NZD), up 6.7% (local currency).

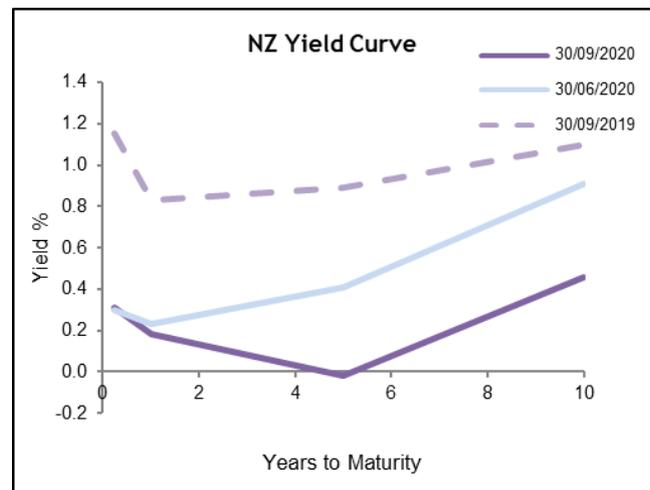
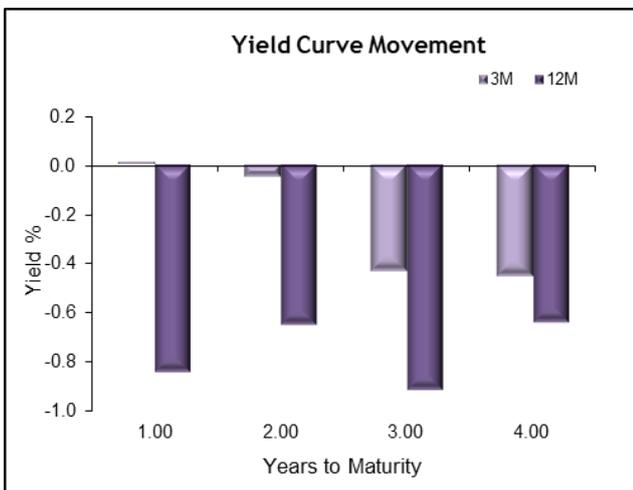


NZ Cash & Fixed Interest

| Bonds (gross return) | Level | 3M | 6M | 1Y | 3Y | 5Y | 10Y | 15Y |
|-----------------------|-------|------|------|------|------|------|------|------|
| NZX 90 Day Bank Bill | 734 | 0.1% | 0.2% | 0.9% | 1.6% | 1.9% | 2.5% | 3.8% |
| NZX Govt Bond Index | 1,992 | 2.6% | 4.9% | 5.4% | 6.6% | 5.3% | 5.4% | 6.0% |
| NZX Composite A Grade | 5,504 | 2.4% | 5.1% | 5.4% | 6.4% | 5.3% | 5.5% | 6.1% |

The RBNZ kept the OCR at 0.25% but comments throughout the quarter were intended for trading banks to prepare for potential cuts and even negative cash rate in 2021. Also announced was the prospect of a Funding for Lending Programme which effectively enables RBNZ to lend to the banks at very low rates so that the banks can lend at lower rates than currently. This substantially reduces the banks reliance for term deposits and hence the decline in rates in recent months.

RBNZ bond buying programme saw yields decline with 10 year government bond falling from 0.93% in June to 0.47% in September and for a brief period in September, the 5 years government bond yield was negative.



New Zealand & Australian Equities

| Equities (gross return) | Level | 3M | 6M | 1Y | 3Y | 5Y | 10Y | 15Y |
|-------------------------|--------|-------|-------|--------|-------|-------|-------|------|
| NZX50 | 11,747 | 2.6% | 19.9% | 7.5% | 14.0% | 16.0% | 14.0% | 8.5% |
| ASX200 (Local) | 64,066 | -0.1% | 15.0% | -11.0% | 4.5% | 7.1% | 6.8% | 5.9% |
| ASX200 (NZD) | 69,238 | 0.9% | 21.0% | -10.6% | 4.3% | 6.8% | 4.8% | 5.8% |

The New Zealand share market continued to advance in the September quarter as the economy began to improve, the corporate reporting season was in some instances better than expected and resurgence from retail investors chasing yield and/or new game in town. The NZX50 Gross index was at an all-time high in early October.

The Australian share market was largely flat during the quarter as the COVID 19 infection rate resurfaced adversely impacting the economy and government relationship with its largest trading partner, China, deteriorated. That relationship and volatile commodity prices impacting the resource sector



International Equities

| Equities (gross return) | Level | 3M | 6M | 1Y | 3Y | 5Y | 10Y | 15Y |
|-------------------------|--------|------|-------|------|-------|-------|-------|------|
| MSCI World (Local) | 5,325 | 6.7% | 26.4% | 8.5% | 7.8% | 10.3% | 10.2% | 6.6% |
| MSCI World (NZD) | 10,643 | 5.0% | 17.0% | 5.0% | 11.0% | 9.8% | 10.5% | 6.9% |

Continued strong performance from the global share market in the September quarter was driven largely by low interest rates, improving economic indicators (but below pre-COVID levels) giving support to expectation of V shaped economic recovery post the arrival of vaccines and continued strong operating earnings from the technology and healthcare sectors.

However, September saw a pullback as investors feared that the economy will be adversely impacted as COVID 19 infection rate started to climb globally and lockdown measures were reintroduced while further government fiscal support continues to be delayed. The uncertainty over the outcome of the US November election was also affecting investor sentiment.

Volatility in the share market is likely to continue.

| Property (gross return) | Level | 3M | 6M | 1Y | 3Y | 5Y | 10Y | 15Y |
|-------------------------|-------|-------|-------|--------|-------|-------|-------|-------|
| NZX Property | 1,540 | 12.5% | 19.1% | -7.5% | 9.2% | 9.1% | 11.2% | 8.3% |
| ASX200 Property (Local) | 3,088 | 5.3% | 30.5% | -17.8% | -0.1% | 1.4% | 4.4% | -2.2% |
| ASX200 Property (NZD) | 3,338 | 6.3% | 37.4% | -17.5% | -0.3% | 1.1% | 2.4% | -2.3% |
| Currencies (% change) | Level | 3M | 6M | 1Y | 3Y | 5Y | 10Y | 15Y |
| NZD / AUD | 0.925 | -0.9% | -5.0% | -0.4% | 0.2% | 0.3% | 2.0% | 0.1% |
| NZD / USD | 0.660 | 2.8% | 10.1% | 5.2% | -2.9% | 0.6% | -1.1% | -0.3% |
| NZ TWI | 71.58 | 0.3% | 4.0% | 1.9% | -2.1% | 0.6% | 0.8% | 0.1% |
| Commodities (% change) | Level | 3M | 6M | 1Y | 3Y | 5Y | 10Y | 15Y |
| Oil Prices (US\$/WTI) | 40 | 2.4% | 96.4% | -25.6% | -8.0% | -2.3% | -6.6% | -3.3% |
| CRB Index | 149 | 7.6% | 21.9% | -14.6% | -6.7% | -5.2% | -6.4% | -5.2% |

