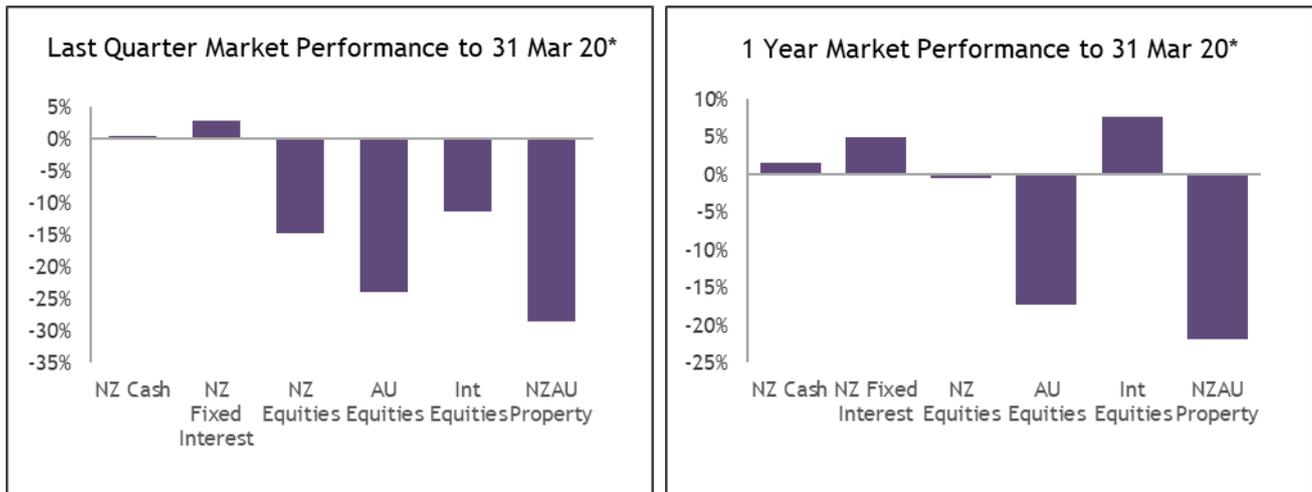


IWIinvestor Market Review: March 2020

Tirohanga ki te makete mō Poutūterangi 2020

He tōtara wahi rua he kai na te ahi: Unity is Strength

Market Overview



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

What started as a significant health problem in Wuhan, China, through movement of people, COVID-19 spread throughout the country and once the transmission of the virus became a global pandemic, the financial markets went into a panic mode. The MSCI All Country share index lost 34% within six weeks after peaking at an all-time high on February 12. The decline was exacerbated by the failure of OPEC+ to cut production levels and the subsequent cooperation fallout between Saudi Arabia and Russia which saw oil price collapse. Crude oil fell from \$60 per barrel to \$20 per barrel over the quarter.

The two shocks led investors to seek the safety of cash, government bonds and even gold. Central banks made dramatic cut in their cash rates and began purchases of financial assets to quell liquidity fears. With varying degree of response globally, Governments imposed measure to restrain the transmission of the virus on its population (which effectively stifled the economies) and provided financial support to alleviate mass unemployment and minimise the risk to the economy.

The global economy cannot avoid a recession and its duration will depend on the success of combatting COVID-19. Financial markets will need to see the virus under control and the lockdown measures relaxed before confidence resumes.

Quarter Benchmark Performance:

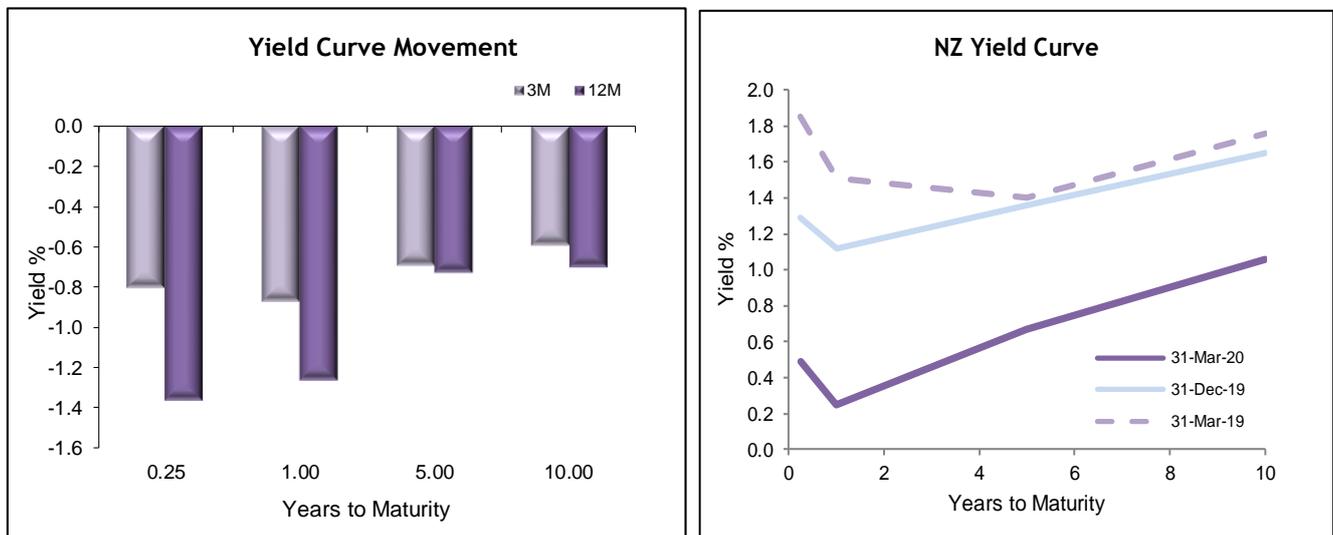
-  NZ Fixed Interest up 2.8%
-  NZ Equities: down -14.8%
-  Australian Equities: down -24.1% (NZD), down -23.1% (local currency).
-  International Equities: down -11.3% (NZD), down -20.1% (local currency).



NZ Cash & Fixed Interest

Bonds (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX 90 Day Bank Bill	732	0.4%	0.7%	1.6%	1.8%	2.2%	2.6%	4.0%
NZX Govt Bond Index	1,898	3.5%	0.5%	5.3%	5.7%	4.9%	5.5%	5.9%
NZX Composite A Grade	5,240	2.8%	0.3%	4.9%	5.5%	4.9%	5.6%	6.0%

The RBNZ cut the Official Cash Rate from 1% to 0.25% in mid-March and stated that it will remain at this level for another 12 months. Week later, the bank announced a \$30 billion NZ government bond purchase programme to provide further support to the economy, build confidence, and keep interest rates on government bonds low. Over the quarter, the 90 days bank bill rate and the 10 years government bond declined from 1.29% to 0.49% and 1.65% to 1.08% respectively. Low rates continue for much longer.



New Zealand & Australian Equities

Equities (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX50	9,797	-14.8%	-10.3%	-0.5%	10.8%	10.9%	11.6%	8.1%
ASX200 (Local)	55,711	-23.1%	-22.6%	-14.4%	-0.6%	1.4%	4.9%	6.0%
ASX200 (NZD)		-24.1%	-26.2%	-17.3%	-2.5%	1.5%	2.6%	5.6%

Both the New Zealand and the Australian share markets peaked at all time high on 20 February and in the subsequent 6 weeks, bottomed on 23 March, losing 30% and 37% respectively before recovering 16% and 12% respectively by quarter end.

The cessation of economic activity collapsing revenue and the continuation of operating costs severely impacting profitability, has placed most companies under financial pressure with many requiring support from government and/or shareholders to survive.

With flood of capital raising likely over the next six months and the cessation of dividends, from most companies, share market recovery is likely to be limited despite any improvement with the pandemic.

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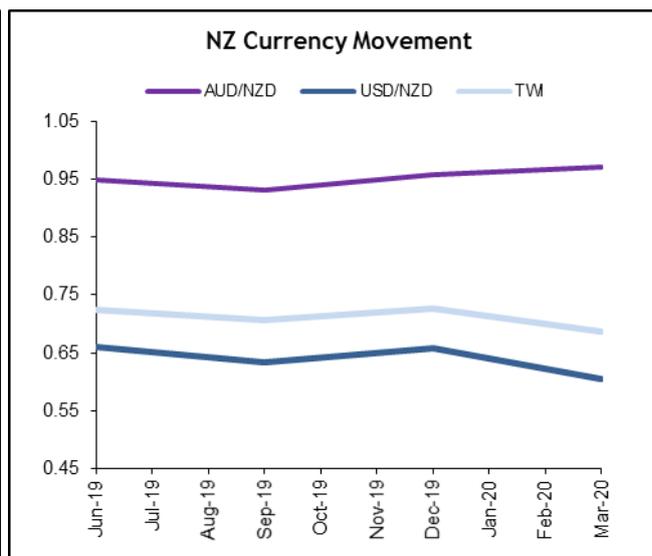
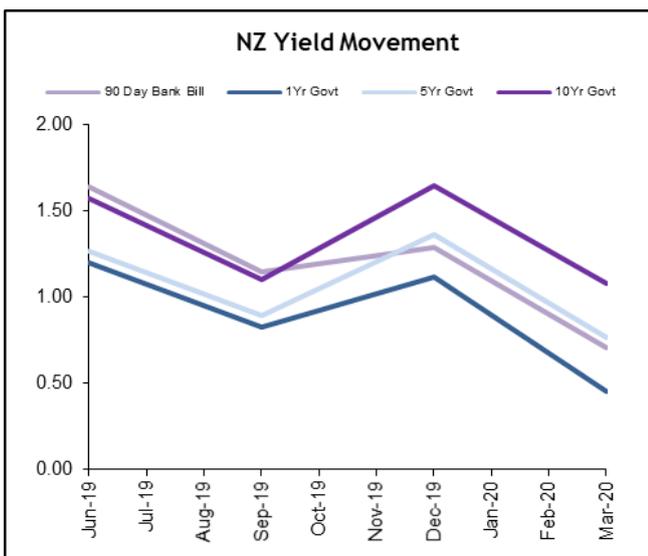
International Equities

Equities (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
MSCI World (Local)	4,213	-20.1%	-14.1%	-9.6%	1.9%	3.4%	7.3%	5.6%
MSCI World (NZD)		-11.3%	-10.3%	7.6%	7.4%	7.9%	8.4%	6.5%

COVID-19 has shown the patchy health policy response from both the United States and the European Union leaders. As these regions are now becoming the epicentre of the virus spreading (assuming the reporting accuracy of other counties), curtailment of the infection and death rates is imperative before investors have the confidence to re-enter the financial markets. The financial response by the central banks and governments to revive the economy has been impressive but the human health remains in question.

As share markets have entered a bear market, traditionally the low achieved in late March will need to be tested before any significant recovery.

Property (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX Property	1,293	-20.9%	-22.4%	-7.3%	4.6%	5.4%	9.6%	7.7%
ASX200 Property (Local)	2,366	-35.5%	-37.1%	-34.1%	-10.0%	-4.6%	1.6%	-3.5%
ASX200 Property (NZD)		-36.3%	-40.0%	-36.4%	-11.8%	-4.4%	-0.7%	-3.9%
Currencies (% change)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZD / AUD	0.9740	1.3%	4.9%	3.5%	2.0%	-0.1%	2.3%	0.4%
NZD / USD	0.5997	-11.0%	-4.5%	-16.7%	-5.1%	-4.3%	-1.7%	-1.1%
NZ TWI	68.8	-6.8%	-2.0%	-7.4%	-3.3%	-2.6%	0.4%	-0.1%
Commodities (% change)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
Oil Prices (US\$/WTI)	20.48	-66.5%	-62.1%	-65.9%	-26.0%	-15.5%	-13.1%	-6.4%
CRB Index	121.79	-34.4%	-30.0%	-33.7%	-13.1%	-10.5%	-7.8%	-6.1%



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