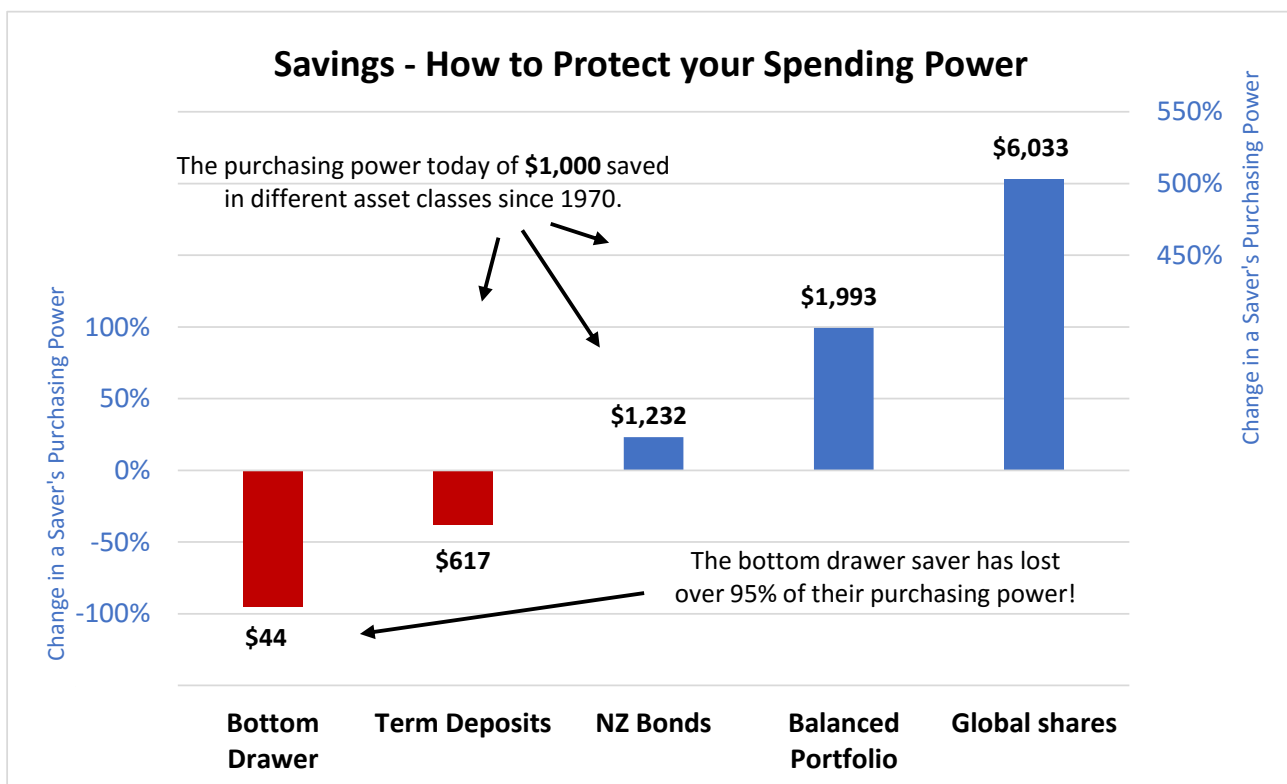


Client Update

Market & Portfolio Update – March 2016

- ❖ World share markets rose solidly in March, up 5% on average in an encouraging recovery following a rocky start of the year. Overall, this leaves global share markets down only marginally so far in 2016, and reinforces the value in “staying the course” with the world economy continuing to grow at a moderate pace.
- ❖ The New Zealand share market was again a stand-out, rising 8%, but closely followed by Australia (up 7%). The Chinese economy has shown some encouraging signs of recovering some steam and this helped support Australian shares in particular, given Australia’s close trade ties with China.
- ❖ Markets were also supported by the prospect of low interest rates being extended further. In New Zealand the Official Cash Rate was lowered further to 2.25%, while the United States Federal Reserve reiterated no rush in increasing policy interest rates, after December marked the first increase since 2006.

Chart of the Month



The chart shows the purchasing power of \$1,000 saved 45 years ago across different asset classes, a balanced portfolio, and in the proverbial bottom drawer.

Given inflation over the past 45 years a saver who held government bonds has been able to roughly maintain their purchasing power, while the impact of inflation has left the bottom drawer saver with less than \$50 of purchasing power! The chart also

shows that moving up the risk spectrum into growth assets like shares has seen a saver increase their purchasing power by five times, shielding their savings from inflation, although with more variability in shorter-term returns. A 20 year old starting out in the workforce today has 45 years of saving ahead of them before retirement. In this context it is important that savers planning their retirement goals stay mindful of the impact of inflation on their savings.

Summary of Key Portfolio Monitoring Decisions

NZ Shares Portfolio

- During the month Pacific Edge was added to the portfolio (currently at just under a 1% weight). Pacific Edge is a cancer diagnostics company who focus specifically on the detection and monitoring of bladder cancer through a suite of tests. Their tests are non-invasive and have been clinically proven to provide better results than tests currently offered for both detecting bladder cancer and indicating that bladder cancer is not present. Bladder cancer has high recurrence rates of between 50-70% so ongoing monitoring is extremely important.

NZ Fixed Interest Portfolio

- Inflation remains below the Reserve Bank's 1-3% inflation target band and a further Official Cash Rate (OCR) reduction is expected. With long-term bond yields relatively stable over the past several months, this has caused long term bonds to become more comparatively attractive than short term bonds and cash. With this in mind, we increased our average bond maturity to be 4.5 years, in line with the NZ Government Bond benchmark. Previously this was closer to 4.0 years. This was achieved by reducing the shorter-maturity Government bonds which mature in 2017, 2019, 2020, and 2021. Replacement holdings included NZ Government bonds maturing in 2023, 2027 and 2033.