



Dear Client

We're Not Quite There Yet

It's been a tough start to the year.

If you've ignored your investment portfolio or KiwiSaver balance, you'd probably guess it's been heading south of late.

After all, inflation remains high and interest rates are still rising, and the headlines have been dominated by cyclones in New Zealand and bank collapses offshore.

However, you'd be wrong.

Despite plenty of volatility along the way, the March quarter was generally positive for investors.

The NZX 50, New Zealand's main share market index, increased by 3.6% during the first three months of the year.

World shares were even stronger, rising 6.8% to build on the 9.4% increase we saw in the final three months of 2022.

The NZ dollar weakened against the US dollar, British pound and the Euro, which has boosted returns even further for many investors.

The NZ share market is still 13% and the world share index 14.5% below the all-time highs in January and November 2021, but it's been a healthy rebound nonetheless.

It's not just shares that have performed well during the past few months. Conservative assets like bonds also had a strong start to the year. During the March quarter, the Bloomberg US Treasury Index returned 3.0 per cent, its best performance in three years while the NZX Corporate Bond index rose 2.4 per cent, the strongest quarter since mid-2020. Bond returns are now looking solid.

Whether you're a conservative investor or a growth investor, or something in between, you're almost certain to be up so far in 2023.

That's different from a year ago, when everything was falling in unison.

However, whether this continues or not is another story. Markets have been encouraged by resilient global economy in 2023. Europe is in better shape than many expected, while activity in China has been rebounding strongly from a very weak 2022.

Inflation might be peaking. While still far too high, the annual inflation rate is at its lowest since late 2021 in the US and is below pre-Ukraine invasion levels in Europe.

This has given us hope that interest rates will soon level off. The banking turmoil has, ironically, helped reduce the likelihood of sustained interest rate increases.

However, inflation feels a bit stickier in NZ than overseas so high interest rates may have to stay for a while yet - and we should also brace for worsening economic news in the months ahead.

We may have turned the corner but there will be a few more bumps in the road before we can feel more relaxed.

As always please let me know if you want to discuss your investments or want to review your portfolio.

Best regards



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