QUAYSTREET
MONTHLY MARKET UPDATE

- AS AT 31 MARCH 2021 -

INTERNATIONAL MARKETS

US Rings the Till

The MSCI World Index (NZD) rose 7.3% over the month as a result of strong performances from European equities. US markets delivered an even more impressive return in NZD terms on the back of a major countertrend rally in the US dollar, particularly against commodity currencies like the Kiwi. Further massive stimulus spending announcements from the Biden administration helped keep confidence high across markets. The latest spending package is centred on infrastructure, with projects planned to be spread over at least 8 years. However, part of its proposed funding is slated to come from a rise in the corporate tax rate from 21% to 28%. The resulting hit to profits is something investors are choosing to ignore at present.

The success of the vaccine rollout and re-openings in the US have also helped keep the market bulls excited.

Elsewhere however, the picture is less sanguine. Parts of Europe are back under restrictive lockdowns, whilst infection rates are still surging in countries such as India and Brazil. India, a major vaccine manufacturer, has recently moved to restrict vaccine exports in order to lift vaccination rates at home.

In China, solid reads from the important PMI economic indicators for both the manufacturing and non-manufacturing sectors failed to excite the sharemarket (CSI 300) which was down 5.4% for the month and is now down 3.1% for the year. Given the CSI 300 is a forward-looking indicator and has a very high correlation with the CRB Commodities Index, investor hype over another "commodities super cycle" might be overdone. The cooling-off in bellwethers such as copper and commodity currencies such as the NZ dollar also suggest this is likely the case.

MARKET PERFORMANCE

INTERNATIONAL INDICES	1 MONTH RETURN	1 YEAR RETURN
MSCI WORLD (USD)	3.3%	54.0%
MSCI WORLD (NZD)	7.3%	30.4%
S&P 500 (USD)	4.4%	56.4%
STOXX 50 (EUR)	7.9%	43.5%
NIKKEI 225 (JPY)	1.4%	56.7%

CURRENCIES	RATE	MONTHLY % CHANGE
AUD/NZD	0.9196	-2.02%
GBP/NZD	0.5068	-2.39%
EUR/NZD	0.5954	-0.62%
USD/NZD	0.6985	-3.43%
JPY/NZD	77.332	0.33%

NEW ZEALAND MARKET

Reopening tailwind lifts market

March marks the anniversary of New Zealand's Level 4 lockdown and the COVID-induced rout which saw the S&P/NZX 50 Index fall 7.6% in a single day. It was a sharp, but short-lived tumble, with the Index subsequently rebounding 28.2% since March 2020, including a 2.7% return this month.

The reopening trade was a tailwind for entertainment and travel companies like Tourism Holdings (THL, +11.1%), SKYCITY Entertainment (SKC, +14.5%), Serko (SKO, +22.0%) and Vista Group International (VGL, +29.4%); with the latter being top performer in the Index for a second consecutive month. Another strong performer was Pushpay (PPH, +21.6%), after the co-founding Huljich family sold their remaining stake at a premium to US investment firm Sixth Street. Sixth Street will be the largest shareholder owning approximately 17.8% of PPH.

MARKET PERFORMANCE

NEW ZEALAND INDICES	1 MONTH RETURN	1 YEAR RETURN
S&P/NZX 50	2.7%	28.2%
S&P/NZX Mid Cap	2.6%	42.4%

All equity index returns are calculated on a total return basis.

The past mutual success of a2 Milk (ATM, -11.0%) and its manufacturing partner Synlait (SML, -15.2%) has turned into an almost synchronised decline over the last year. SML was the Index's worst performer, starting the month by withdrawing full-year 2021 guidance, and ending with a first half report showing a sharp decline in profits. The company noted significant uncertainty and volatility impacted the business, and conceded previous guidance was no longer achievable.

NZ TOP 5 INDEX PERFORMERS

COMPANY NAME	1 MONTH RETURN	1 YEAR RETURN
Vista	29.4%	98.9%
Serko	22.0%	267.9%
Pushpay Holdings	21.6%	145.4%
SKYCITY Entertainment Group	14.5%	86.1%
NZX	11.3%	98.4%

NZ BOTTOM 5 INDEX PERFORMERS

COMPANY NAME	1 MONTH RETURN	1 YEAR RETURN
Synlait Milk	-15.2%	-45.0%
Oceania Healthcare	-11.7%	89.2%
a2 Milk	-11.0%	-49.9%
Chorus	-8.6%	6.9%
Investore Property	-5.1%	30.2%

AUSTRALIAN MARKET

Banking Empire Strikes Back

Notching up its sixth consecutive positive month, the S&P/ASX200 Index returned 2.4% in March. The Consumer Discretionary and Utilities sectors led the charge, returning 7.0% and 6.8% respectively. Materials and IT were the biggest laggards, returning -3.0% and -2.9% respectively.

Grain handler Graincorp (24.4%), and retailer Premier Investments (23.4%) were the standout performers this month. Graincorp advanced on anticipation of a record crop season, along with an update detailing cost improvements. Premier approached all-time highs as strong jeans and sleepwear sales drove record half-year earnings. The worst performers were gold miner Resolute (-31.8%) and buy-now pay-later provider Zip (-29.0%). Resolute's precipitous fall came after its Ghanaian mining lease was unexpectedly terminated; and Zip went from hero to zero in the wake of Australia's largest bank, CBA, announcing its own competing instalment offering.

MARKET PERFORMANCE

AUSTRALIAN INDICES	1 MONTH RETURN	1 YEAR RETURN
S&P/ASX 200 (AUD)	2.4%	37.5%
S&P/ASX Small Cap (AUD)	0.8%	52.1%

All equity index returns are calculated on a total return basis.

In macroeconomic news, February employment stats revealed a much stronger than expected unemployment rate (5.8% versus 6.3%), driven by the addition of 89,000 full-time jobs. With participation now back at pre-pandemic peaks, it remains to be seen whether further labour market tightness produces the level of wage growth the RBA wants to see before hiking its 0.1% cash rate. If higher wage growth doesn't materialise, Australia may see some NZ-style policies to curb the amount of credit flowing into housing. In this regard, APRA, Australia's prudential regulator, this month singled out housing credit accelerating faster than wages growth as a bubble indicator.

AU **TOP 5** PERFORMING SECTORS

SECTOR	1 MONTH	1 YEAR
Consumer Discretionary	7.0%	70.9%
Utilities	6.8%	-10.0%
Property	6.6%	44.7%
Telecommunications	6.2%	35.0%
Financials	4.3%	45.9%

AU **BOTTOM 5** PERFORMING SECTORS

SECTOR	1 MONTH	1 YEAR
Materials	-3.0%	55.8%
Information Technology	-2.9%	85.4%
Energy	0.0%	44.2%
Health Care	2.5%	-0.4%
Consumer Staples	3.2%	10.1%

FIXED INTEREST MARKETS

Diverging fortunes

It was a mixed month for bond markets, with a continued rise in bond yields for the US while most other markets had stable or slightly declining yields. The Bloomberg Barclays Global Aggregate was down by -0.4%, but within that the Bloomberg Barclays US Treasury and Bloomberg Barclays US Corporate Bond Indices were down by -1.5% and -1.7% respectively. New Zealand bond indices generated positive returns, with the S&P NZX Government Bond and S&P NZX Investment Grade Corporate Bond Indices rising by 0.7% and 0.2% respectively.

New Zealand GDP figures released this month revealed the economy shrunk by 1% in the December quarter, which was below market expectations and something of a reality check after the very strong September quarter. Additionally, the government announced a new set of tax policies that specifically target residential property investors. These included phased removal of interest deductibility and extension of the bright-line test for capital gains tax from 5 years to 10 years. The strong housing market has been at least part of the 'good news' story for New Zealand due to the flow-on impact on consumer confidence and spending. If these policy changes are effective it could take some momentum out of the economy (at a time when it is slowing already), and all else being equal should allow interest rates to stay lower for longer. Local financial markets reacted immediately, sending both long term bond yields and the New Zealand dollar lower.

BOND INDICES

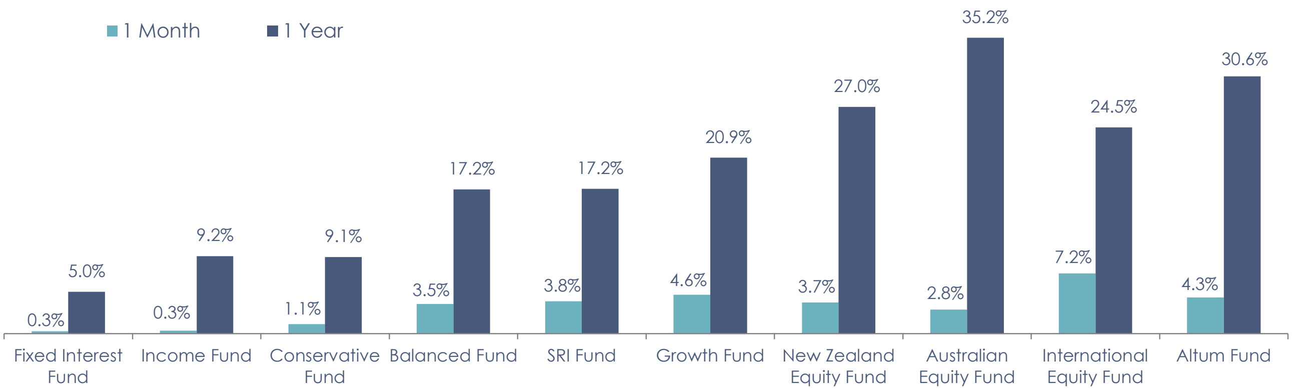
INDEX	1 MONTH RETURN	1 YEAR RETURN
Government Bond	0.71%	-1.61%
Inv. Grade Bond	0.22%	2.16%
Australian Government Bond	1.04%	-3.07%
Australian Corporate Bond	0.18%	3.65%
Barclays Global Agg Hedged (NZD)	-0.41%	1.39%

Above figures as at 28 February 2021.

CURRENT INTEREST RATES

INTEREST RATES	RATE	RATE 1 YEAR AGO
NZ OCR	0.25%	0.25%
NZ 5yr Swap	1.12%	0.62%
NZ 10yr Gov	1.81%	1.08%
RBA Cash	0.10%	0.25%
AU 10yr Gov	1.79%	0.76%

FUND PERFORMANCE OVERVIEW



The above figures are before fees and taxes. See fund fact sheet for returns after fees and tax. Past performance is not a guide to future performance.

For more information, Unit Prices and Fund Updates visit quaystreet.com or contact our Client Services Team
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ASSET MANAGEMENT

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