

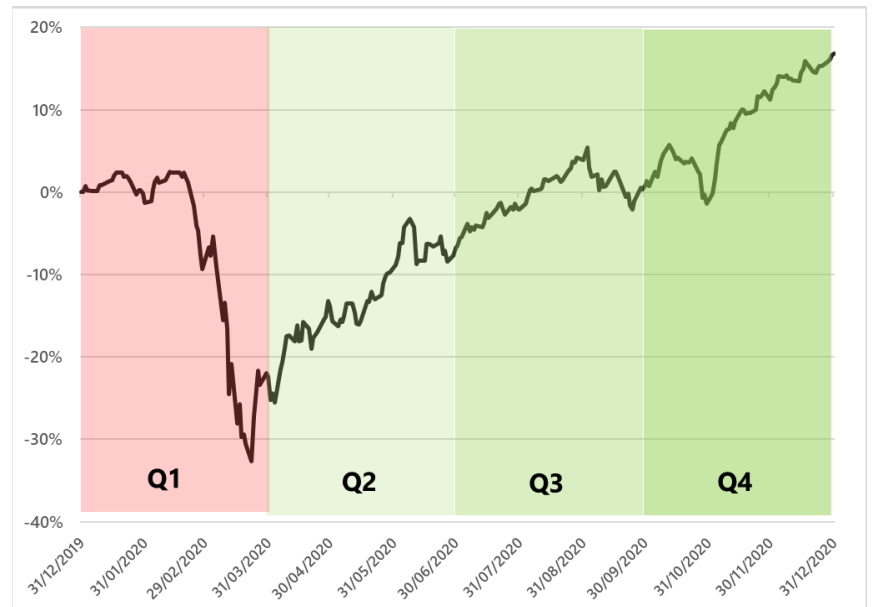
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When we reflect on the performance of global equity markets over the last 12 months, a picture really does tell a thousand words...

The following chart highlights the cumulative performance of the S&P Global Broad Market Index<sup>1</sup>(in USD) over the course of the tumultuous last 12 months. After falling over 30% during the first quarter when the initial wave of the global pandemic hit, the index then defied all expectations by, remarkably, closing out the year with a gain of +16.8%. From the low point on 23 March, this represented a global share market rebound of just over 73%!

Figure 1: S&P Global Broad Market Index (BMI) cumulative total return in 2020



The difficulty with forecasting is laid bare when a year like 2020 comes along.

Over the years, we have talked at length about our inability to predict the future. And, often in the same breath, we have stressed the merits of adopting evidence-based investment strategies where 'forecasting the future' is not a necessary component of the strategy's ultimate success. The difficulty with forecasting is laid bare when a year like 2020 comes along.

In January, almost no-one was predicting a deadly global pandemic. And yet, before the quarter was out, we were facing the unimaginable, and global shares had fallen in a heap. In late March, the world was struggling to come to terms with what had occurred. We were besieged by escalating Covid-19 infection rates, mounting deaths, border closures, country lock-downs and extreme economic uncertainty. In the midst of all of this, very few were predicting the extraordinary speed and strength of the market rebound that was soon to follow.

<sup>1</sup> A float-adjusted market capitalisation global share index measuring the US dollar performance of over 11,000 constituent companies across 25 developed and 25 emerging market countries.

However, by the end of the year, even while second and third waves of the pandemic were battering the USA and Europe, and with a contested US presidential election where the sitting president was refusing to accept the results, global share markets were moving sharply back into positive territory.

The key difference now was that Covid-19 vaccines were beginning to be distributed in the northern hemisphere. And even though we still don't know how the post-Covid world will look or function (particularly in relation to international travel and tourism), the faster-than-expected arrival of the vaccines provided the impetus to push share markets to new heights.

In this most extraordinary year, it wasn't interest rates, inflation, growth rates or profitability that were the main drivers of returns. It was confidence. In the first quarter, confidence quickly evaporated as we collectively began to fear for our lives and our livelihoods.

However, as we gradually readjusted to the idea that we had the capacity to protect ourselves, and that governments everywhere were not going to stand idly by while their economies tanked, our fears slowly changed to hope and, finally, to optimism.

Figure 2 below summarises the key asset class returns in 2020 on a quarter by quarter basis, by highlighting the performance of a major market index in each asset class. All returns are gross of domestic tax and fees and are from a New Zealand investor's perspective (i.e. in New Zealand dollars).

From the returns table we note that:

- Shares displayed their capacity for significant upward (and downward) price volatility all within the same year. This is, of course, consistent with their description as a higher risk and return asset. Although hit hardest in the first quarter, shares also rebounded the strongest and rewarded disciplined investors who maintained their investment.

**Figure 2: Quarterly returns of major asset classes in 2020**

Asset Class	Index Name	Jan -Mar	Apr - Jun	Jul - Sep	Oct - Dec	12 mths
New Zealand shares	S&P/NZX 50 Index (gross with imputation credits)	-14.5%	16.9%	2.9%	11.5%	14.6%
Australian shares	S&P/ASX 200 Index (total return)	-24.0%	20.8%	0.8%	12.5%	4.2%
International shares (hedged NZD)	MSCI World ex Australia Index (hedged to NZD)	-20.9%	18.2%	6.6%	11.7%	11.4%
International shares (unhedged)	MSCI World ex Australia Index	-10.6%	10.2%	5.4%	4.6%	8.6%
Emerging market shares	MSCI Emerging Markets Index (gross div.)	-13.8%	9.3%	7.0%	10.1%	11.0%
New Zealand property	S&P/NZX All Real Estate Index (gross with imputation)	-20.3%	6.8%	13.4%	8.7%	5.0%
International property	S&P Developed REIT Index (gross)	-19.2%	3.0%	0.2%	3.6%	-13.6%
New Zealand fixed interest	S&P/NZX A-Grade Corporate Bond Index	1.3%	3.4%	1.7%	-1.0%	5.4%
International fixed interest	FTSE World Government Bond Index 1-5 Years (hedged to NZD)	2.2%	0.6%	0.2%	0.2%	3.2%
New Zealand cash	NZ One-Month Bank Bills	0.2%	0.1%	0.1%	0.1%	0.4%

Notes:

- All indices are unhedged unless otherwise specified.
- The two MSCI World ex Australia share indices assume reinvestment of after-tax dividends only.
- The full 12-month return is not a simple sum of the four quarterly returns. The 12-month figures are all compound returns which assume continuous investment throughout the year in each asset class.

- Listed property assets generally lagged share market returns, and international property performed particularly poorly. Covid-19 contributed to many businesses 'working from home' for an extended period in 2020, and questions remain as to how this trend may evolve in a post-Covid world.
- High quality bonds continued to offer diversification benefits to investors, particularly in times of extreme market stress.

While the overall quarterly returns otherwise speak for themselves, we think there are a few other noteworthy takeaways from this highly unusual year:

1. Investing for the long term when the outlook looks bleak remains a profitable strategy. The share market is forward looking and if we always wait for the reassurance of improving news headlines, then it is likely the best gains have already been made. Anyone that bought shares while the market was going down in March ended up with a great return for the year.
2. A weak economy doesn't necessarily mean a weak share market. As economies were shutting down and the business outlook was nosediving in March, there were projections in New Zealand and overseas about possible double-digit unemployment rates. That can't possibly be a good time to invest, right? Wrong. Figure 3 below summarises the performance of US shares over the last 73 years (1948–2020), based on the prevailing unemployment rate:

**Figure 3: US unemployment vs S&P 500 index returns**

US unemployment	Frequency	S&P 500 annualised returns
>9%	5%	34.7%
7% - 9%	17%	16.9%
5% - 7%	45%	10.6%
<5%	33%	6.9%

Although US unemployment exceeds 9% relatively infrequently (around 5% of the time), these periods have, counterintuitively, coincided with the best average US share market returns.



**In this most extraordinary year, it wasn't interest rates, inflation, growth rates or profitability that were the main drivers of returns. It was confidence.**

We saw a continuation of this pattern in 2020. The US economy hit 14.7% unemployment in April, just as the share market there commenced its strong upswing.

3. Outcomes always seem obvious in hindsight. Looking back and seeing the global share market having rallied 73% off its low, it's tempting to tell ourselves that we knew this would happen. But on 23 March, no-one could have predicted the timing, size, and speed of this market recovery. Governments around the world played a very significant hand in this by collectively pumping trillions of dollars of stimulus towards businesses and individuals. While this flood of financial support could not stop the virus, it was able to steer us away from an economic depression. And the impact this has had on investor confidence, and asset prices, is all too apparent from the share market performances witnessed over the last nine months of 2020.

## So . . . where to from here?

After what we all went through in 2020, it would be a truly brave (or foolhardy?) person who attempts to provide a detailed roadmap for the year ahead. Although the arrival of several Covid-19 vaccines gives us cause for renewed optimism, the list of reasons for investor uncertainty heading into 2021 remains frustratingly long.

For starters, we still have a global pandemic. We still have intermittent lockdowns, travel restrictions, volatile markets, and extreme political turbulence. We have considerable uncertainty over large parts of the economy and job sustainability. We also now have new record levels of government debt, and questions over how it will ever be repaid. In the meantime, we continue to have historically low interest rates and the likelihood is these will stay low for an extended period. It's a sobering list. But before we get too despondent, we should remember that most of these issues, in one form or another, were also present in 2020 and, for the last nine months of that year, investors enjoyed great returns.

We don't know what 2021 will bring, but we do know it will bring its own unique set of challenges. If 2020 taught us anything it was that, through no fault of our own, we can sometimes be in situations that we are uncertain how to handle. And when those situations have the potential to severely impact our investment or retirement plans, then we really need to be able to make the smartest decisions possible.

That's where good advice and an evidence-based investment approach are so valuable. We know that markets are volatile, and we know that unexpected events will occasionally take us all by surprise. As a result, these "known unknowns" are factored into our long term planning. Although the likelihood of experiencing an unexpected event means a wider range of short term investment outcomes are possible, these outcomes are not often going to be fatal to a sound long term plan. And it is this knowledge that greatly assists us not to panic when something unsavoury does occasionally hit the fan.

The idea that share prices can sometimes fall significantly and yet still manage to rebound is not new. In fact, on average, we expect share market returns to be negative once every three or four years.



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But we continue to allocate to shares because it's in the share markets that we expect the bulk of our long term returns to be generated. It never stops being uncomfortable when share prices are falling but the best advice, even at those times, is to stick to your plan. For all long term investors who experienced the awful first quarter in 2020, the decision to stay invested was very likely their best investment decision of the year.

# Key market movements for the quarter

In a remarkable achievement by medical researchers, several Covid-19 vaccines displayed extremely positive trial results during the final quarter of 2020. These results were both sooner than expected, and with higher efficacy rates, which fuelled expectations of a quicker return to social and economic normality. In December, initial vaccines were approved for international distribution and the global inoculation against Covid-19 commenced.

This was very positive for markets, with expectations of an increase in near term economic output and revenues driving share prices higher almost across the board, even as a 'second wave' of Covid-19 was causing increasing infection and mortality rates around the world.

Overall returns through the quarter were generally positive for riskier assets, and many equity markets posted significant gains to close out an unforgettable year with solid returns. An outcome few of us would have dared dream of in late March.



## International shares

**+11.7%**  
(hedged  
to NZD)

The final quarter of 2020 started similar to the rest of the year, with high levels of uncertainty resulting in heightened volatility for risky assets.

**+4.6%**  
(unhedged)

It was largely anticipated that Joe Biden would prevail in the US presidential election yet a risk of a disorderly transition of power weighed on the economic outlook. This also led to delays in finalising US government support packages which stifled investor sentiment as October drew to a close.

The November election delivered a comfortable margin of victory (eventually) for Biden which was followed closely by positive vaccine news and the finalisation of US government support packages in late December. This triple dose of good news "Trumped" the incumbent's claims of election fraud, driving very strong share market performance through November and December pushing all major developed markets equity indices to positive returns for the quarter. The S&P 500 Index (total returns in USD) advanced +12.1% for the quarter closing out a remarkable +18.4% return for the year.

In Europe, share market performance was also very strong. This was largely due to the positive vaccine news, the approval of further recovery packages by the European Union, and the finalisation of the Brexit trade deal in late December. For the quarter, the MSCI Europe ex UK Index (in local currency) gained +10.2% dragging the 2020 return into the black at +2.1%.

The same themes drove the British FTSE 100 index up by +10.9% to close the year down -11.5% (in GBP terms). Japanese equities also participated in the rally with the MSCI Japan Index advancing +12.8% for the quarter to lift its annual return back into the positives.

The New Zealand dollar was generally strong versus foreign currencies and this meant that hedged foreign assets outperformed. In New Zealand dollar terms, the MSCI World ex Australia Index delivered a quarterly return of +11.7% on a hedged basis and +4.6% unhedged. For the complete 2020 calendar year the New Zealand dollar hedged index ended up +11.4% and the unhedged index up +8.6%.

*Source: MSCI World ex-Australia Index (net div.)*



## Emerging markets shares

**+10.1%**

Emerging market equities generated their strongest quarterly return in over a decade, with Korea and Brazil both notable outperformers. Conversely, Egypt, where new daily Covid-19 cases accelerated, posted the lone negative return across the entire emerging markets region. Overall, the MSCI Emerging Markets Index (gross return in USD) advanced +19.8% over the quarter to return +18.7% for the year.

Positive vaccine news lifted hopes for a global economic recovery in 2021. This helped bolster commodity prices which was generally very supportive for emerging market net exporters. US dollar weakness during the quarter was also a positive, as the debt servicing burden for many emerging market nations holding USD denominated debts was reduced.

Regional heavyweight, China, produced a solid positive return for the quarter but lagged the regional average. The launch of an anti-trust investigation into Alibaba and a further escalation in US-China tensions both dragged on sentiment.

In unhedged New Zealand dollar terms, the MSCI Emerging Markets Index produced a quarterly return of +10.1%, for a +11.0% calendar year return.

*Source: MSCI Emerging Markets Index (gross div.)*



+11.5%

## New Zealand shares

The New Zealand stock exchange rode the fourth quarter surge in global equity markets by delivering an excellent +11.5% over the quarter as the local index posted a +14.6% gain for the year; a result scarcely believable nine months earlier.

During December, New Zealand's GDP for the third quarter of the year was released. The reported growth rate of +14.0% represented the largest quarterly rise in growth on record, confirming the strong recovery of the domestic economy post Covid-19 lockdowns. This strong economic performance was reflected in domestic business confidence, with the ANZ business survey indicating a very positive outlook for profit expansion and investment intentions in the year ahead.

This improving sentiment, added to a growing sense that a 'return to normality' might be possible some time in 2021, saw a number local firm's share prices jump appreciably in the final quarter of the year.

Notable firms amongst the better performers during the quarter were Fletcher Building (+53.2%), Mainfreight (+51.7%) and Meridian Energy (+49.9%), with all firms generally citing improving trading conditions and profitability expectations.

Towards the other end of the spectrum, in mid-December the a2 Milk Company announced a downward revision to their August guidance, now stating that their full 2021 financial year revenue was forecast to be \$350m to \$500m lower than previously advised. This resulted in a swift -22.1% daily price decline on 18 December and led the firm to significantly underperform the overall market, posting a -21.3% return for the fourth quarter and a disappointing -19.6% for the full year.

*Source: S&P/NZX 50 Index (gross with imputation credits)*

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+12.5%

## Australian shares

Australian share market returns were very strong and remarkably evenly dispersed over the quarter. The large capitalization S&P/ASX 100 returned +13.78% in Australian dollar terms, while the small capitalization S&P/ASX Small Ordinaries Index delivered +13.83%. Although, over the full year, the small outperformed large by a sizable 8.41%.

Commodity prices generally experienced a resurgence in the final quarter of 2020, and this was very positive for materials and resources companies in iron ore. Chinese economic stimulus to combat Covid-19 impacts, coinciding with an interruption in Brazilian supply, drove the iron ore price up 27.5% in the last three months of the year. While this helped Rio Tinto and BHP advance 20.7% and 19.2% respectively for the quarter, Fortescue Metals delivered by far the greatest gains in the sector, up 43.7% for the quarter and 151.0% for the year.

In a quarter of strong returns across a range of sectors, some of the previous sector laggards – namely financials, real estate and energy - finally found some strong support. Information technology, the sector that appeared to benefit most from Covid-19, also finished the year strongly and, for the full 12 months, delivered more than triple the return of the next best performing Australian market sector.

Returns to unhedged New Zealand investors were slightly reduced by a small appreciation in the New Zealand dollar over the quarter.

*Source: S&P/ASX 200 Index (total return)*

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+0.2%

## International fixed interest

Government bond yields diverged quite markedly during the quarter. The US 10-year yield was 0.23% higher, ending the year at 0.91%. Investors appeared to be buoyed by the curtain closing on an erratic Trump administration and looking forward to a fresh start - and the prospect of a significant new spending program – under President-elect Biden.

German yields were flat while Italian and Spanish 10-year yields saw declines as the European Central Bank increased quantitative easing. Across the English Channel, the UK 10-year yield was little changed as growing vaccine optimism was tempered by Brexit uncertainty (i.e. what the trade deal really means for the UK) and new lockdown measures.

Corporate bonds also enjoyed a good quarter, generally outperforming government bonds, with both investment grade and lower credit quality bonds delivering strong positive total returns.

The FTSE World Government Bond Index 1-5 Years (hedged to NZD) posted a +0.2% gain to take its 12-month return to +3.2%, while the broader Bloomberg Barclays Global Aggregate Bond Index (hedged to NZD) returned +0.8% for the quarter for a +5.4% return in 2020.

*Source: FTSE World Government Bond Index 1-5 Years (hedged to NZD)*

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**-1.0%**

## New Zealand fixed interest

Domestic bond returns were the only negative asset class over the fourth quarter as stronger economic data and improving investor sentiment brought an abrupt end to the trend of falling interest rates.

The sharpest rise in yields occurred in November driven by a combination of factors. New Zealand economic data had mostly been outperforming expectations, with sectors such as housing, employment, and exports all surprisingly robust. However, this had largely been ignored until the news of viable Covid-19 vaccines hit global headlines in October and November. Further upward pressure was added with the government's renewed focus on house price inflation and a 'walking-back' in the rate cut rhetoric from the Reserve Bank at their November meeting, which resulted in a jump in domestic yields.

By the end of the quarter, the 10-year New Zealand government bond yield finished 0.49% higher at 1.02%. It was a poor month overall for domestic fixed interest strategies.

Although credit securities generally outperformed government bonds, the rise in local bond yields was negative for bond prices and resulted in a -1.0% return for the S&P/NZX A-Grade Corporate Bond Index over the quarter, although the full year return was still a healthy +5.4%. The longer duration, but higher quality S&P/NZX NZ Government Bond Index declined -2.8% for the quarter while also delivering +5.4% for the year.

Source: S&P/NZX A-Grade Corporate Bond Index

**Table 1: Asset class returns to 31 December 2020**

Asset Class	Index Name	3 months	1 year	3 years	5 years	10 years
New Zealand shares	S&P/NZX 50 Index (gross with imputation credits)	+11.5%	+14.6%	+17.0%	+16.8%	+16.1%
Australian shares	S&P/ASX 200 Index (total return)	+12.5%	+4.2%	+5.8%	+8.9%	+5.7%
International shares	MSCI World ex Australia Index (net div., hedged to NZD)	+11.7%	+11.4%	+9.4%	+11.8%	+11.8%
	MSCI World ex Australia Index (net div.)	+4.6%	+8.6%	+10.1%	+11.1%	+10.9%
Emerging markets shares	MSCI Emerging Markets Index (gross div.)	+10.1%	+11.0%	+6.0%	+12.1%	+4.8%
New Zealand fixed interest	S&P/NZX A-Grade Corporate Bond Index	<b>-1.0%</b>	+5.4%	+5.0%	+5.0%	+5.6%
International fixed interest	FTSE World Government Bond Index 1-5 Years (hedged to NZD)	+0.2%	+3.2%	+2.8%	+2.8%	+3.6%
New Zealand cash	New Zealand One-Month Bank Bill Yields Index	+0.1%	+0.4%	+1.3%	+1.6%	+2.3%

Unless otherwise specified, all returns are expressed in NZD. We assume Australian shares and emerging market shares are invested on an unhedged basis, and therefore returns from these asset classes are susceptible to movement in the value of the NZD. Index returns are before all costs and tax. Returns are annualised for time periods greater than one year.

# Triumph of the Optimists

Investors too often extrapolate the future based on their recent experiences.

In March 2020, who but the most rampant optimist would have dreamt, in the midst of the swiftest negative correction in sharemarket history, that most global sharemarkets would recover to deliver positive returns by year's end? Yet this is precisely what happened. The optimists triumphed. It was such a remarkable outcome that it brought to mind the timeless research of noted economist Elroy Dimson.

Very few historians of finance have reached the heights of Professor Dimson. He is the Emeritus Professor of Finance at London Business School and his work has been cited over 10,000 times in academic articles.

He has written and edited books such as "Financial Market History: Reflections on the Past for Investors Today" and the "Global Investment Returns Yearbook 2020", but he is perhaps best known for a book first published nearly 20 years ago, the boldly titled, "Triumph of the Optimists: 101 Years of Global Investment Returns."

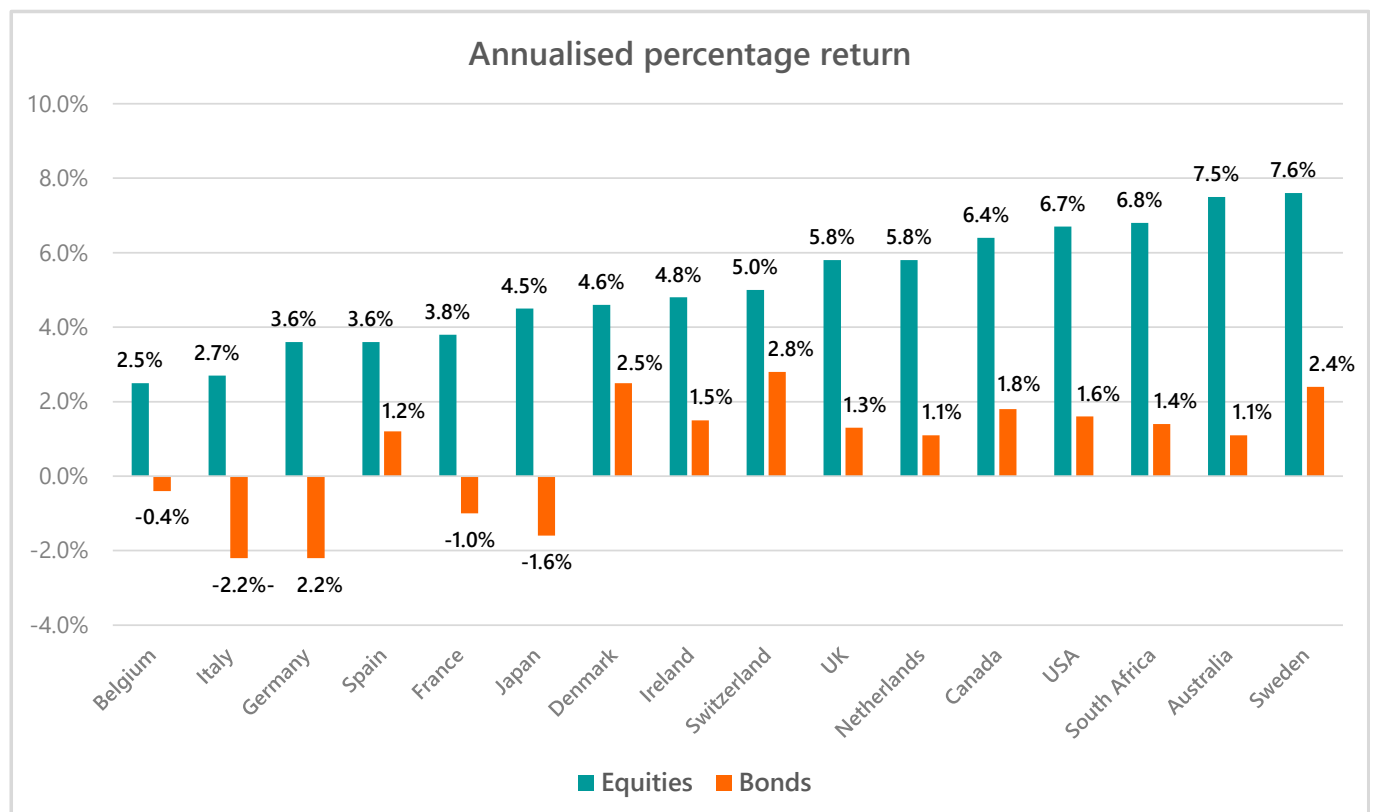
American philosopher Don Marquis once dryly observed, "An optimist is someone who never had much experience". Well, Don Marquis never met Elroy Dimson.

In 'Triumph of the Optimists', Professor Dimson drew on the collective investment experience of over 100 years of financial market returns from 16 different countries, and in every case he and his co-authors found the same result, shares have higher returns than bonds and cash, often substantially higher.

In his findings at the time, he wrote, "In the United Kingdom, equities provided an annualised return of 10.1%, or 5.8% after adjusting for inflation. The best performing equity market was Sweden, with a real return of 7.6% per year, while the worst was Belgium, with an annual real return of 2.5%."

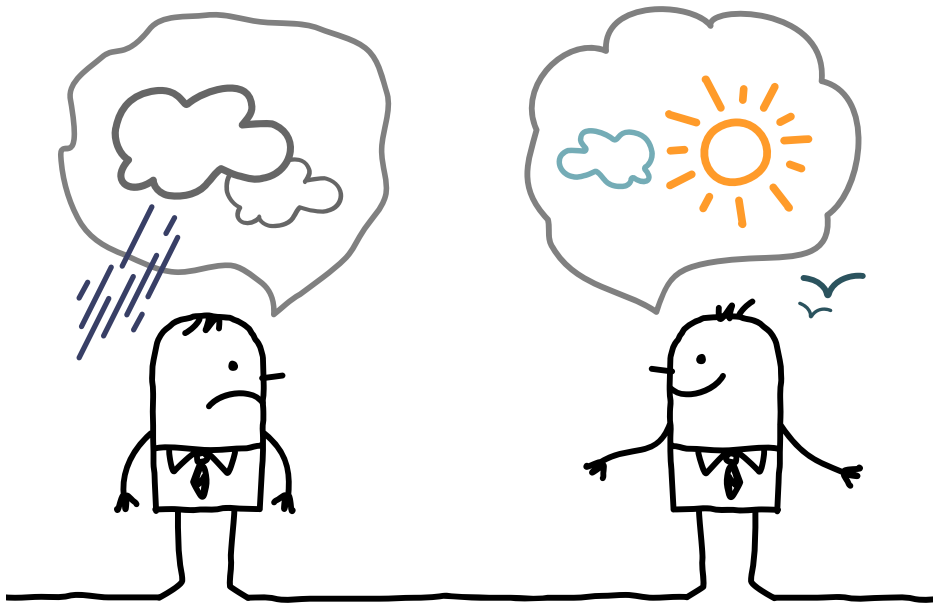
Below we show the full chart of results detailed in Dimson's book. Although they are, admittedly, about 20 years old, the broad findings continue to remain very relevant today.

Figure 4-7: Real returns on equities versus bonds internationally, 1900-2000





Despite a year of uncertainty and upheaval, 2020 has ultimately been a triumphant year for the optimistic investor.



Despite a year of uncertainty and upheaval, 2020 has ultimately been a triumphant year for the optimistic investor.

When the NZX lost about 30% in 30 days in late March, the news headlines were dominated by pessimism. Many businesses faced the prospect of closing down for an unknown period of time. The logic seemed painfully obvious. No customers means no profit, and no profit means businesses were going to either suffer or fail altogether. At the time you couldn't blame someone for thinking that continuing to own shares in such an environment was not a good idea.

But since the markets hit their low in March, from that point to the end of December 2020, the NZX 50 Index (total return) has been up by over 54%.

We know that investing in shares holds a certain level of risk. This year has proven it so. Professor Dimson has a wonderful quote about risk that is based on his extensive research into the history of financial markets.

"Risk," he says, "means more things can happen than will happen. It is not standard deviation. It is not variability. It is this sense that future events are highly variable and unknowable that gives us the best sense for risk."

A global pandemic is an example of something that 'could' happen. And there are many other things that too could happen. But as share prices represent the best guess we have of the future value of a firm, and because future events are highly unknowable, shares are inherently risky.

However, over 100 years of financial history tells us that while anything can happen, and sometimes does, the value of businesses which can nimbly adapt to the environment of the day, will have the best opportunity to grow and to thrive over time.

That may not be the case every year, but over time horizons spanning decades (similar to the time horizon of most investors) it almost certainly will be. As for investors that do not have that long term time horizon or don't like the market rollercoaster, holding other assets in combination with shares may be more prudent.

Like you, we are happy to see 2020 in the rear-view mirror. But hopefully this experience has done for each of us what Professor Dimson discovered in his research, that optimists can truly triumph.

*Disclosure statements are available on request and free of charge.*

# Randomness of returns

This table shows each asset class in our portfolios and their returns over the past 20 years, as well as the returns of a 50/50 portfolio. There is no discernible pattern in the results from year to year. This makes it exceptionally challenging to pick in advance, the highest performing asset class each year. To achieve more consistent results, we invest in multiple asset classes. This ensures our portfolios always have some exposure to the highest returning sectors, whilst never being at risk of only being allocated to the lowest returning sectors. This is known as prudent diversification.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Avg
New Zealand shares	13.9%	-1.2%	25.6%	25.1%	10.0%	20.3%	-0.3%	-32.8%	18.9%	2.4%	-1.0%	24.2%	16.5%	17.5%	13.6%	10.1%	23.6%	6.0%	31.6%	14.6%	10.9%
Australian shares	8.0%	-20.1%	22.2%	21.0%	21.5%	29.6%	18.2%	-35.6%	42.1%	7.8%	-10.5%	15.0%	3.9%	1.8%	4.4%	9.0%	18.5%	-7.4%	22.6%	4.2%	7.3%
Global large shares	-11.6%	-36.2%	6.0%	4.3%	15.7%	16.6%	-0.3%	-21.9%	4.5%	4.0%	-5.5%	9.4%	27.0%	10.6%	13.5%	5.3%	20.1%	-3.3%	27.0%	8.5%	3.5%
Global value shares	-9.6%	-36.3%	10.0%	7.7%	15.8%	21.5%	-5.5%	-21.5%	1.8%	1.5%	-5.5%	9.1%	27.0%	9.3%	9.0%	10.0%	14.9%	-5.5%	21.1%	-7.4%	2.2%
Global small shares	7.2%	-33.1%	25.7%	13.0%	22.3%	13.8%	-7.9%	-23.5%	15.9%	17.4%	-9.0%	11.0%	32.7%	7.4%	14.1%	10.4%	20.4%	-8.8%	25.5%	8.6%	6.7%
Emerging markets shares	3.5%	-25.3%	24.1%	14.1%	41.7%	28.3%	27.5%	-38.5%	43.5%	10.7%	-18.4%	11.6%	-2.3%	3.1%	-2.6%	9.9%	35.0%	-9.5%	18.5%	11.0%	7.1%
New Zealand property	12.1%	10.4%	13.4%	20.0%	19.7%	24.9%	-4.3%	-20.8%	11.8%	3.4%	11.2%	20.5%	3.9%	24.2%	14.5%	3.8%	13.9%	10.9%	32.4%	5.0%	10.9%
Global property	12.6%	-11.9%	11.5%	25.2%	17.9%	38.3%	-20.8%	-28.7%	9.5%	15.1%	0.1%	17.7%	3.1%	28.7%	14.2%	4.1%	5.0%	-0.1%	23.0%	-14.5%	6.1%
New Zealand fixed interest	6.4%	6.5%	4.3%	5.9%	6.3%	5.9%	2.7%	15.4%	5.7%	8.7%	9.3%	6.3%	1.9%	7.4%	5.8%	4.1%	5.8%	4.4%	5.2%	5.4%	6.1%
Hedged global bonds	8.2%	12.1%	6.3%	9.5%	9.1%	5.5%	8.9%	15.2%	3.5%	6.3%	8.3%	7.2%	2.2%	11.1%	4.5%	5.8%	4.0%	1.8%	7.5%	5.4%	7.1%
New Zealand cash	5.9%	5.7%	5.6%	6.3%	7.3%	7.7%	8.6%	8.3%	3.1%	3.0%	2.7%	2.7%	2.7%	3.4%	3.3%	2.3%	1.9%	1.9%	1.5%	0.4%	4.2%
Portfolio 50/50	5.7%	-5.1%	11.8%	11.7%	12.2%	16.0%	3.5%	-8.2%	17.0%	9.1%	0.1%	12.4%	9.1%	9.0%	6.2%	9.0%	12.3%	-2.0%	14.3%	6.0%	7.3%

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Highest	13.9%	12.1%	25.7%	25.2%	41.7%	38.3%	27.5%	15.4%	43.5%	17.4%	11.2%	24.2%	32.7%	28.7%	14.5%	10.4%	35.0%	10.9%	32.4%	14.6%
	12.6%	10.4%	25.6%	25.1%	22.3%	29.6%	18.2%	15.2%	42.1%	15.1%	9.3%	20.5%	27.0%	24.2%	14.2%	10.1%	23.6%	6.0%	31.6%	11.0%
	12.1%	6.5%	24.1%	21.0%	21.5%	28.3%	8.9%	8.3%	18.9%	10.7%	8.3%	17.7%	27.0%	17.5%	14.1%	10.0%	20.4%	4.4%	27.0%	8.6%
	8.2%	5.7%	22.2%	20.0%	19.7%	24.9%	8.6%	-8.2%	17.0%	9.1%	2.7%	15.0%	16.5%	11.1%	13.6%	9.9%	20.1%	1.9%	25.5%	8.5%
	8.0%	-1.2%	13.4%	14.1%	17.9%	21.5%	3.5%	-20.8%	15.9%	8.7%	0.1%	12.4%	9.1%	10.6%	13.5%	9.0%	18.5%	1.8%	23.0%	6.0%
	7.2%	-5.1%	11.8%	13.0%	15.8%	20.3%	2.7%	-21.5%	11.8%	7.8%	0.1%	11.6%	3.9%	9.3%	9.0%	9.0%	14.9%	-0.1%	22.6%	5.4%
	6.4%	-11.9%	11.5%	11.7%	15.7%	16.6%	-0.3%	-21.9%	9.5%	6.3%	-1.0%	11.0%	3.9%	9.0%	6.2%	5.8%	13.9%	-2.0%	21.1%	5.4%
	5.9%	-20.1%	10.0%	9.5%	12.2%	16.0%	-0.3%	-23.5%	5.7%	4.0%	-5.5%	9.4%	3.1%	7.4%	5.8%	5.3%	12.3%	-3.3%	18.5%	5.0%
	5.7%	-25.3%	6.3%	7.7%	10.0%	13.8%	-4.3%	-28.7%	4.5%	3.4%	-5.5%	9.1%	2.7%	7.4%	4.5%	4.1%	5.8%	-5.5%	14.3%	4.2%
	3.5%	-33.1%	6.0%	6.3%	9.1%	7.7%	-5.5%	-32.8%	3.5%	3.0%	-9.0%	7.2%	2.2%	3.4%	4.4%	4.1%	5.0%	-7.4%	7.5%	0.4%
	-9.6%	-36.2%	5.6%	5.9%	7.3%	5.9%	-7.9%	-35.6%	3.1%	2.4%	-10.5%	6.3%	1.9%	3.1%	3.3%	3.8%	4.0%	-8.8%	5.2%	-7.4%
Lowest	-11.6%	-36.3%	4.3%	4.3%	6.3%	5.5%	-20.8%	-38.5%	1.8%	1.5%	-18.4%	2.7%	-2.3%	1.8%	-2.6%	2.3%	1.9%	-9.5%	1.5%	-14.5%

Source: **NZ Equities:** NZSX 10 Index from Jan 1991 to June 1991. **NZSX 50 Index:** (Gross Dividends) from July 1991 to Dec 2015. **S&P/NZX 50 Index:** (Gross with Imputation) from Jan 2016 to present. **Australian Equities:** S&P/ASX 200 Index (Total Return) from Jan 1991 to Dec 2014. **MSCI World Index:** (net div., AUD) Global Value Index (net div., AUD) Global Small Index (net div., AUD) Global Small Index (net div., AUD) from Jan 1991 to Dec 1998. **MSCI World Small Index:** (gross of fees) Jan 1991 to Dec 1998. **MSCI Emerging Markets Index:** (gross of fees) Jan 1991 to Dec 1998. **MSCI Emerging Markets Index:** (gross of fees) Jan 1991 to Dec 2015. **MSCI Emerging Markets (Gross Div.)** from Jan 2016 to present. **NZ Property:** New Zealand Property Index (Price only) from Jan 1991 to Jan 1997. **New Zealand Property Index:** (Gross Dividends) from Feb 1997 to Dec 2015. **S&P/NZX All Real Estate Index:** (Gross with ICs) from Jan 2016 to present. **Global Property:** UBS Global Real Estate Index (Gross Dividends) from Jan 1991 to Dec 2014. **S&P Developed REIT Index:** (net div.) from Jan 2015 to present. **NZ fixed interest:** NZX 10 Yr Govt Bonds from Jan 1991 to May 2003. **ANZ Corporate A Bonds:** from June 2003 to present. **Hedged Global bonds:** Citigroup World Government Bond Index Hedged to NZD to Dec 2012. **Barclays Global Aggregate Bond Index Hedged:** to NZD to Dec 2013 to present. **NZ 30 day bank bills:** NZ One Month Bank Bill Yields. **50/50 portfolio:** portfolio returns net of manager fees, but gross of tax, adviser and platform fees.