phwealth Summer Update

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Market commentary

Following a volatile but generally profitable first three quarters of the year, the majority of markets delivered further gains over the final three months of 2025.

International share markets provided the strongest gains, with the New Zealand and Australian share markets taking a back seat over the quarter.

Similarly, with global interest rates having receded from their post-Covid peaks, returns from fixed income assets delivered in line with expectations – moderately positive.

US politics and geopolitical events consistently dominated the daily news cycle, but investors can be, and should be, quite indifferent to much of what is broadcast in the mainstream news these days. While some news events can be genuinely confronting at a human level, more often than not they tend to have a minimal impact on corporate activity and long-term shareholder profits.

A quick note on Venezuela

It's not strictly related to the December quarter, but the recent news as we write this newsletter is that on January 3rd, US troops carried out a pre-dawn raid into Caracas to capture Venezuelan President Nicolás Maduro and his wife Cilia Flores.

This unanticipated military action raises a multitude of questions, most notably how Venezuela will be governed in the absence of Maduro, and what role the US will play both diplomatically and militarily in the period ahead.

Based on media coverage to date, it seems US involvement is motivated by exerting greater control over Venezuelan oil and minerals resources, and less about ensuring greater drug enforcement.

How this evolves is anyone's guess. The only thing we can say with any confidence is that, purely from an investment perspective, events in Venezuela are unlikely to have any material impact on investment markets.

The Venezuelan share market comprises a small collection of mainly banking, energy and agricultural companies, and the country is generally not a constituent in either the developed or emerging market funds that diversified investors are typically exposed to.

Watch for unintended concentration risks

An investment theme getting plenty of attention in recent times has been the growth and development of applications related to artificial intelligence, or AI. Excitement about the potential for AI to drive the next technological revolution has contributed to strong returns from a group of US tech giants and these returns helped push the US share market to a succession of record highs in 2025.

AI might very well revolutionise the world, but basing an entire investment strategy on a single theme is always risky. For those of us who lived and invested through the last technological transformation (the rise of the internet), it wasn't much fun for investors who were heavily concentrated in technology stocks during the dot-com crash of 2001. Although all markets were impacted to some extent as the technology bubble unwound, our loyal friend – diversification – proved to be a wonderful ally.

Today, the seven most influential US tech giants (Nvidia, Apple, Microsoft, Alphabet, Amazon, Broadcom and Meta) comprise around 35% of the market cap of the S&P 500 Index. According to JP Morgan data, there is a wider group of 41 'AI-related' companies within the S&P 500 (i.e. companies either directly developing software, semiconductors, or considered integral to the AI ecosystem). These 41 companies together comprise more than 45% of the total market capitalisation of the S&P 500. That's a very significant proportion and something we all need to be aware of as they consider what a prudent asset allocation might look like.

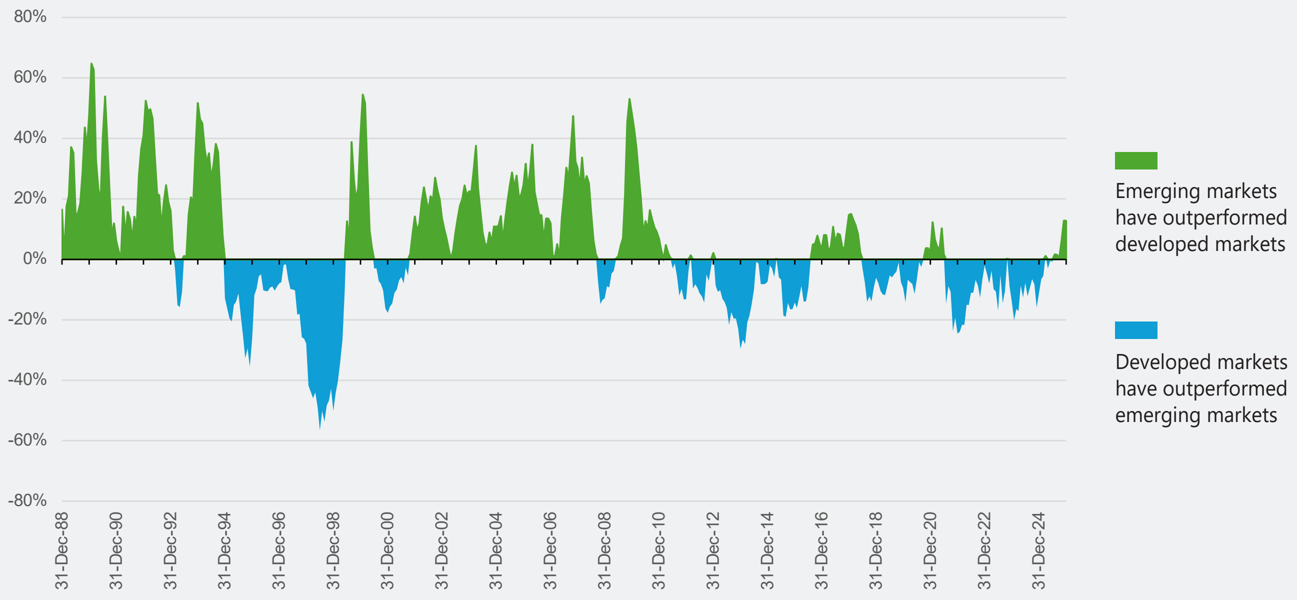
Beyond developed markets

Developed share markets have performed extremely well over the last 15 years. In part that was due to a strong rebound from the lows of the Global Financial Crisis and, more recently, it has been helped by excellent returns from a few large US-based technology firms. With developed markets performing so well, it's been easy to forget that emerging markets, while lagging recently, have been a superior performer over longer timeframes.

The chart below shows the difference in rolling twelve month returns between the emerging markets (including countries like China, India, Korea and Brazil) and the traditional developed markets (including USA, UK, Japan, Australia and New Zealand).

Since 1988, the segments in green are when the emerging markets have outperformed developed markets. The segments in blue are when developed markets have outperformed.

Figure 1: Rolling twelve month returns to Dec 2025 (emerging vs developed markets)



Source: Dimensional Returns Web

There are at least two interesting aspects to this data:

1. Although developed markets have largely been winning over the last decade, the emerging markets were generally outperforming developed markets in 2025.

2. While it's not easily discernible from the chart, over the entire time period (since the beginning of 1988) emerging markets have actually outperformed developed markets by an average of 1.2% p.a.

It's intuitive that countries with faster economic growth may offer opportunities for larger investment returns and that has certainly been the case with emerging markets. Not all the time, but definitely *over* time.

Although the emerging markets often command fewer investment headlines, from a diversification perspective they have never lost their appeal.

The recovery that never quite arrived (but might in 2026)

For many households and businesses in New Zealand, 2025 was a trying year. Despite a much-anticipated economic recovery, the reality turned out to be sluggish growth, higher costs and persistent uncertainty.

Consumer spending stayed weak as households absorbed the cumulative impact of earlier interest rate hikes and uncomfortably high living costs. All of this contributed to concerns about job security and reducing consumer confidence.

> It is reasonable to be cautiously optimistic that many of the foundations for a slow and steady economic recovery in New Zealand are now in place.

With annual consumer price inflation remaining within the Reserve Bank of New Zealand's (RBNZ) 1-3% target range, the RBNZ continued to cut interest rates to stimulate domestic demand.

By late 2025, sales and hiring were picking up and consumer spending was rising, suggesting the economy was finally regaining some overdue momentum. We'll know for sure in March, when the official GDP numbers for the fourth quarter are released.

Looking ahead, the RBNZ is projecting a modest recovery taking hold in New Zealand and most independent forecasts are also pointing to a gradual acceleration in economic activity in 2026.

It won't all be plain sailing as many of the issues weighing on the economy in 2025 haven't magically vanished. This includes fragile business confidence and ongoing global trade uncertainty, in particular the US-driven move towards greater trade protectionism.

However, it is reasonable to be cautiously optimistic that many of the foundations for a slow and steady economic recovery in New Zealand are now in place.

A return to relatively stable global interest rates

Globally, the response to Covid-19 saw aggressive monetary policy easing, including slashing interest rates, alongside a massive, coordinated increase in government spending.

While it's generally argued this response was necessary to prevent a deeper economic crisis, this 'cheap money' ultimately coalesced into a different problem - an explosive post-Covid spending spree. Coming out of Covid, and with many more dollars chasing a still-restricted supply of goods, we experienced an unwelcome inflationary surge.

It was this 'cost-of-living crisis' that required central banks to sharply raise interest rates once more in an effort to contain price rises.

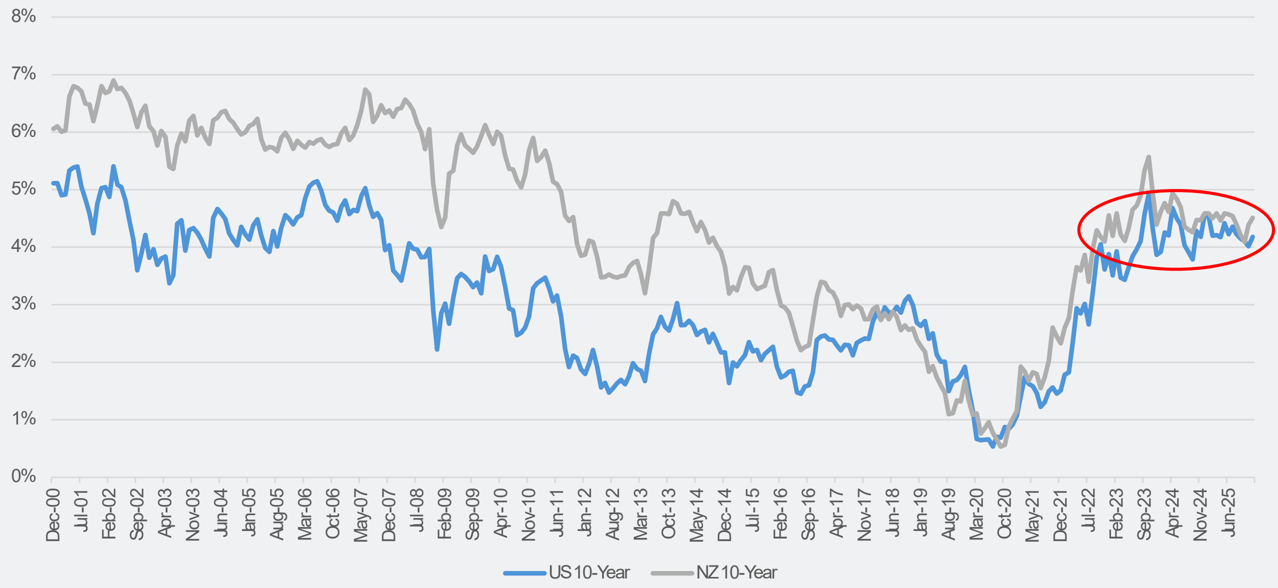
Now that inflation is largely under control again and GDP growth rates have slowed, central banks are mostly now cutting short term interest rates. This will provide welcome added relief for consumers and mortgage holders.

But bond investors are also better placed than before, particularly if they are willing to accept some additional duration risk.

As we can see in the chart on the next page, US and New Zealand 10-year government bonds are currently trading at yields not seen in over a decade. In addition, these 10-year yields appear to be a little more stable than they have been for some time.

In the context of the last few years when interest rates and bond yields have (quite often) been unusually volatile, this is a much more favourable scenario for investors looking to include traditional lower risk fixed income assets in their portfolios.

Figure 2: US and New Zealand 10-year government bond yields



Source: www.investing.com

The road ahead

The recent unexpected incursion into Venezuela is a timely reminder of the futility of putting too much weight on forecasting. While this event is largely disconnected from investment markets, the next unpredictable event may not be. However, when, where or what that event might be, is something we simply cannot know.

So, we do what we always do, which is to invest as prudently as we can while we wait for the inevitable, unknowable future events to occur. Part of our protection, while we wait, is to ensure we only buy high quality, highly liquid assets that are less likely to become illiquid in times of market stress. The other critical element is to diversify widely. If parts of the markets are affected more than others in a future event, diversification ensures that we do not have too many of our assets exposed to the exact same (poor) outcome.

2026 will bring further intrigue internationally, in particular in the US where the scheduled mid-year replacement of Jerome Powell as Federal Reserve Chairman and the US mid-term elections in November both loom as headline-dominating events.

> The one thing we have learned over many years is that no matter how hyped these events are in the lead-up, they will end up being fish and chip paper the next day.

In both cases there will be some change to the status quo. However, the extent to which these changes will impact either the independence of the Federal Reserve or the degree of Congressional oversight provided to the White House, only time will tell.

In any event, the one thing we have learned over many years is that no matter how hyped these events are in the lead-up, they will end up being fish and chip paper the next day. The markets will continue to absorb and respond to new information as it arises. And, as long-term strategic investors, we will continue to allocate sensibly, diversify widely, and go along for the ride.

Key market movements – quarter ending 30 December 2025

The final quarter of 2025 delivered steady gains, with several share market indices finishing the year near record or multi-year highs. Throughout the middle of the year, performance leadership remained heavily concentrated in technology companies and other growth-oriented sectors, but there were signs late in the year of investor interest broadening, particularly towards value-tilted and international markets with cheaper valuations and improving fundamentals.

Expectations that the US Federal Reserve and other major central banks could deliver further, albeit moderate, interest rate reductions in 2026 helped sustain investor risk appetites and provided a supportive backdrop for share markets as the year drew to a close.

Bond markets delivered divergent returns during the final quarter. While UK and US interest rates reduced, European rates remained mainly on hold, and rates in Japan increased, resulting in Japanese Government Bond yields rising to multi-decade highs. Overall, total returns from bonds were positive for the quarter, rounding out a solid year.

International shares

+3.2% *(hedged to NZD)*

+3.9% *(unhedged)*

Developed markets posted good returns, underpinned by continued strength in the technology sector and further monetary policy easing in the US.

US shares gained in spite of the longest US government shutdown on record and weak employment data. With interest rate cuts and AI enthusiasm helping to maintain positive share market sentiment, questions about the high valuation of technology companies saw other sectors start to come to the fore by the end of the year.

European shares had a positive quarter and major benchmark indices finished the period near multi-year highs. Economic conditions across the Eurozone remained mixed, with weak manufacturing activity being outweighed by strength in the services sector, leading to a small overall expansion in business activity. With regional inflation easing and the European Central Bank keeping interest rates unchanged, the growth outlook improved, boosting investor confidence.

The UK share market outpaced its European peers over the quarter, with performance being led by large internationally focused companies in financials, mining, defence and other commodity-linked sectors. These areas benefitted from strong global demand, increased commodity prices and a slightly weaker Great British pound.

The Japanese share market extended its rally, with the Nikkei 225 up +12.0% in local currency terms in the quarter. The election of Sanae Takaichi as Prime Minister in October and the formation of a coalition government between the Liberal Democratic Party (LDP) and the Japan Innovation Party (JIP), were interpreted as signs of greater political stability and more proactive fiscal stimulus. The Bank of Japan raised interest rates in December (their second such hike in 2025) and signalled the possibility of further hikes in 2026. The confidence of the central bank added to optimism about Japan's economic growth and supported local share prices.

Despite another volatile year, investors were rewarded for their discipline with both NZD hedged and unhedged indices advancing around +18% for the year.

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

Emerging markets shares

+5.5%

Emerging markets (EM) shares had another strong quarter, outperforming the broad returns from developed markets. Significant impetus for this came from the technology-oriented markets of Korea and Taiwan.

Korea was the best performing share market in the EM Index for the quarter (the KOSPI Index up +23%), benefitting from strong demand for AI memory technology and industrial production, as well as a new trade agreement with the US that involved tariff reductions and major direct investment. Taiwan was similarly strong, driven by sustained investor appetite for technology companies throughout the quarter, particularly those related to the AI theme such as cornerstone Taiwan Semiconductor Manufacturing Company Limited (+19%).

Latin American share markets also generally performed well. The Chilean market was up strongly, supported by strength in commodity prices. Brazil also finished ahead of the broader EM Index, despite a mixed macro backdrop and political uncertainty ahead of the 2026 presidential election.

Having performed well for much of 2025, the final quarter saw the Chinese share market give back some gains. Softer macroeconomic data and heightened concerns about ongoing property market weakness in China, particularly following the near default in December of the country's largest property developers, weighed on market sentiment.

Despite this Chinese weakness the Emerging markets asset class advanced +5.5% for the quarter closing out an impressive +29.8% year.

Source: MSCI Emerging Markets Index (gross div.)

+2.0%

New Zealand shares

New Zealand shares moved higher in the fourth quarter, with the S&P/NZX 50 Index (gross with imputation) setting 9 new all-time highs in October and November after achieving new marks only 8 other times in the last 5 years. The index closed the year near its all-time high, up +2.0% on the quarter, and +4.1% for the year.

The New Zealand market was up on the back of a still positive global outlook, but local economic indicators remained weak. Without the local index having the same level of AI-related exposures to help drive performance, returns from domestic shares generally lagged global peers.

Within the top 50 companies, the best returns were found outside the top 20 companies, with SkyCity Entertainment, Sanford and Oceania Healthcare producing quarterly returns of +36.4%, +34.7% and +33.3% respectively. For SkyCity, this represented a welcome lift after a difficult five-year performance with Covid, reduced visitor numbers and a weaker domestic economy all impacting discretionary spending. For Sanford, it reflected the continuation of a strong profit turnaround under CEO David Mair.

The quarter wasn't quite so rosy for software firms Vista Group and Gentrack. Vista continues to struggle to return to profitability while focusing on scaling its cloud-based platform to modernise cinema operations. Gentrack reported improving revenue across both its utilities and airports divisions, however this was not enough to arrest its share price decline, which has been trending downward since late 2024.

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

+0.5%

Australian shares

The Australian share market underperformed global counterparts, with the S&P/ASX 200 Index posting a -1.0% return in local currency terms.

Companies outside the top 100 generally fared best, with the S&P/ASX Small Ordinaries Index delivering a +1.8% return, while the Emerging Companies Index posted another strong quarter with a +8.3% gain. To put these returns in perspective, the S&P/ASX 100 Index, which comprises the largest 100 Australian companies, achieved a less flattering -1.2% result. This divergence in returns can, in part, be attributed to the higher weight of technology companies within the Australian small and mid-capitalisation indices.

Australia's economy continues to perform solidly. Although the Reserve Bank of Australia (RBA) cut interest rates three times earlier in the year, a tight labour market, rising wages and persistent but easing inflation pressures kept the RBA on the sidelines in the final quarter.

The materials sector was the standout sector over the quarter, delivering a +13.5% return. This was thanks in large part to an outstanding +20.3% return delivered by market heavyweight Rio Tinto. Reports surfaced in late December about preliminary buyout and merger discussions between Rio Tinto and Swiss multinational Glencore, which could create the world's largest mining company. Aside from small gains also delivered by the industrials and energy sectors, it was "red ink" everywhere else, as the broad market was slightly weaker over the quarter.

With the Australian dollar a little stronger against the New Zealand dollar over the quarter, reported returns to New Zealand investors were around +1.5% higher than the underlying Australian index returns for the quarter, completing a strong +15.6% year.

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

+0.7%

International fixed interest

There was a marked divergence across global government bond markets during the final quarter of 2025. Despite volatility, UK gilts were the notable outperformer. The November budget in the UK was well received, as the government announced a larger-than-expected fiscal headroom and reduced expectations of future borrowing needs. The Bank of England cut its base rate by -0.25% at its December meeting in what was a close (5-4) vote. This contributed to the UK 10-year bond yield declining from 4.70% to 4.47% over the quarter, delivering strong gains.

Returns were more muted in US Treasury bonds. The US yield curve steepened, with yields rising in very long maturities, but falling in the shorter date ranges. The US Federal Open Market Committee cut interest rates by -0.25% when it met in October and repeated the move in December, taking the Federal Funds rate to 3.50% - 3.75%. Following the reopening of the US government, delayed labour market data suggested a moderation - but not a collapse - in labour demand, with the low-hire, low-fire trend continuing. Despite yield volatility during the quarter, the yield on the US 10-year Treasury bond closed the quarter as it began, at 4.15%.

In contrast, Japanese government bonds experienced a significant selloff, with yields rising to multi-decade highs. After being elected Prime Minister, Sanae Takaichi announced a 21.3-trillion-yen fiscal stimulus package. The size of the package raised investor concerns over Japan's already substantial debt burden at a time when interest rates are rising. The Bank of

Japan delivered a +0.25% rate hike in December, taking the policy rate to 0.75%. In this environment, the Japanese 10-year government bond yield lifted from 1.65% to 2.08% over the quarter, causing losses for investors in these bonds.

The FTSE World Government Bond Index 1-5 Years (hedged to NZD) was up +0.7% over the quarter, while the broader Bloomberg Global Aggregate Bond Index (hedged to NZD) rose +0.4%. Both indices end the year up around +4%.

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

New Zealand fixed interest

+0.2%

The Reserve Bank of New Zealand (RBNZ) delivered a -0.50% interest rate cut in October, followed by an additional -0.25% cut in November, bringing the Official Cash Rate (OCR) down to 2.25% after it started the year at 4.25%.

Lower than expected growth, weakening business confidence and muted wage growth continued to weigh on the New Zealand economy through the year. However, after seemingly playing 'catch-up' with a total of -0.75% of interest rate cuts in the fourth quarter, the RBNZ now believes the risks to the inflation outlook are evenly balanced. This means, in its view, that the next rate change could either be up or down.

As it happens, decisions on the future direction of interest rates will fall under the leadership of new Reserve Bank Governor, Dr Anna Breman, who started her five-year term on 1 December. The new Governor's first act was to provide additional market clarification following the November release, stating that if economic conditions evolve as expected, the OCR is likely to remain at 2.25% for some time. This provided clear push-back to financial markets, which had begun pricing-in the prospect of renewed interest rate hikes to occur in New Zealand in 2026.

On the back of a mixed global bond market, the New Zealand 10-year bond yield rose over the quarter, moving from 4.21% to 4.53%.

The S&P/NZX A-Grade Corporate Bond Index gained +0.2% for the quarter, while the longer duration but higher quality S&P/NZX NZ Government Bond Index declined by -0.3%. Both indices closed the year up around +5%.

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

Table 1: Index returns to 31 December 2025

Sector class	Index Name	3 months	1 year	3 years	5 years	10 years
International shares	MSCI World ex Australia Index (net div., hedged to NZD)	3.2%	18.1%	21.0%	12.5%	12.2%
	MSCI World ex Australia Index (net div.)	3.9%	17.8%	25.4%	17.4%	14.2%
Emerging markets shares	MSCI Emerging Markets Index (net div.)	5.5%	29.8%	20.3%	8.9%	10.3%
New Zealand shares	S&P/NZX 50 Index (gross with imputation credits)	2.0%	4.1%	6.5%	1.5%	8.9%
Australian shares	S&P/ASX 200 Index (total return)	0.5%	15.6%	14.3%	11.6%	10.2%
International fixed interest	FTSE World Government Bond Index 1-5 years (hedged to NZD)	0.7%	4.0%	4.4%	1.5%	2.1%
	Bloomberg Global Aggregate Bond Index (hedged to NZD)	0.4%	3.7%	4.4%	-0.1%	2.3%
New Zealand fixed interest	S&P/NZX A-Grade Corporate Bond Index	0.2%	5.5%	6.6%	1.9%	3.4%
New Zealand cash	New Zealand One-Month Bank Bill Yields Index	0.6%	3.3%	4.7%	3.4%	2.5%

Unless otherwise specified, all returns are expressed in NZD. We assume Australian shares and emerging markets shares are invested on an unhedged basis, and therefore reported 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.

The top 3 ways money probably didn't make you happy in 2025... and the 3 ways it might in 2026.

You've probably heard the saying, "money can't buy happiness." But for most of us it achieves something almost as valuable: it buys peace of mind.

Research consistently shows that financial stress is a common part of everyday life. With ongoing pressure from living costs and economic uncertainty, many households regularly worry about money, with around 70% of New Zealanders saying they're concerned about money daily, weekly or monthly[1].

When finances are tight, even small setbacks like an unexpected car repair or medical bill can keep you up at night, but this is where money can help most. A *financial buffer* doesn't make life perfect, but it does stop everyday inconveniences becoming emotional crises. As emergency savings grow or high-cost debt reduces, financial shocks still happen, but they no longer derail you.

What money doesn't automatically provide is fulfilment. Which raises a great question: if money hasn't made you happier in 2025, why not? And what would need to change for money to help lift your happiness in 2026?

3 ways money **probably didn't** make you happy in **2025**

You compared yourself to everyone else

Social comparison has always existed, but recent years have amplified it. AI travel photos, curated lifestyle posts, the unending barbeque conversations about someone else's great investment.

Research has shown that when people see others earning more, even strangers, their happiness declines even if their own income remains steady[2]. In other words, social comparison erodes satisfaction.

In 2025, many investors earned perfectly reasonable returns. But some wondered why their neighbour was bragging about doing better in precious metals or cryptocurrency. In investing, as in nearly every facet of life, there's always someone doing better. Comparison robs us from appreciating what is because we imagine what could have been and rue the gap.

You spent money on things, not time

For many people, 2025 was a year of small upgrades rather than meaningful change. New phones, new wearables, new subscriptions, convenience purchases. None of these are inherently bad. In fact, many of them make life easier in practical ways.

The challenge is that material purchases tend to deliver a short-lived 'lift'. This was confirmed in a decades-long study, illustrating that material purchases increased happiness briefly, but experiences create lasting satisfaction[3]. It explains that experiences and time-based spending, particularly time spent with others or doing things that align with personal interests, create more enduring satisfaction than objects.

You kept chasing 'more'

According to Harvard psychologists[4], after a certain point, more income doesn't reliably increase happiness. This was reinforced in a 2010 study[5] which famously suggested a threshold beyond which an increase in income did not necessarily improve an individual's emotional wellbeing. Back then, this threshold was identified as an annual income of around US$75,000.

The findings have been much debated since, but the underlying conclusion generally remains the same – constantly chasing more money to the detriment of life experiences, health and values often results in less happiness compared to those who focus on *how* they use their money.

In a recent example of this, global wage growth outpaced inflation in many countries in 2025. However, *unsurprisingly*, happiness didn't budge[6]. More money, yet the same emotional flatline. We are generally good at *earning*, but we are less good at *pausing* to consider how money is meant to serve our lives.

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If 2025 felt like a year where you 'bought more but lived the same,' this may be why. Money was being used to accumulate rather than to create space. And without space, even good things struggle to feel meaningful.

Now for the hopeful side. Money may not buy happiness directly, but used intentionally, it can increase fulfilment and support a satisfying life.

These are three of the most effective ways:

3 ways money **might** make you happy in **2026**

Use money to buy time
(the most valuable currency)

Time is one of our scarcest resources. Warren Buffett said in a CNBC interview from 2017 *"I can buy anything I want, but I can't buy time".*

But maybe he's wrong. When researchers at the University of British Columbia surveyed 6,000 people across the world[7], they found one clear pattern:

1. People who use money to gain time (i.e. less commuting, more rest, fewer chores), are happier than people who use money to gain things.
2. Buying time reduces stress and increases life satisfaction, creating mental space.

In 2026, ask yourself this simple question: *"Does this purchase give me more hours doing what matters?"* If the answer is yes, it's likely to increase your happiness. If not, it's probably noise.

Use money to deepen relationships
(the strongest driver of wellbeing)

The longest-running study on happiness[8] is very clear – *the quality of your relationships is the single biggest predictor of your wellbeing.*

Money can strengthen those bonds with shared travel, meals with family, weekends with friends, supporting causes together, or time off to be present.

These aren't just 'nice' uses of money. They are life-changing uses of money.

Use money to live in alignment with your values
(a true expression of wealth)

This is where financial planning and wellbeing meaningfully intersect.

Research shows that when spending aligns with a person's core values, such as family, faith, generosity, learning or stewardship, happiness increases regardless of income level.

Prosocial spending (e.g. giving to others or supporting meaningful causes) leads to greater happiness[9]. Similarly, intrinsic, value-driven goals (like personal growth or relationships) are more strongly associated with life satisfaction than extrinsic goals like wealth or status[10].

Spending intentionally and in alignment with values creates meaning, which is a significant driver of long-term happiness.

If 2025 was about earning, hedging and getting through, let 2026 be about spending intentionally.

Ask:
"What kind of person do I want to be, or aspire to be?"

Then:
"Does my money reinforce that?"

Bringing it together

The more time we reflect on this art of living, the more a simple truth becomes clear. Money is a wonderful tool, but a terrible master.

If money didn't make you substantially happier in 2025, it may not be due to a lack of it.

Rather, it may have been because our expectations, habits and comparisons got in the way.

2026 offers a chance to do things differently.

- To buy time.
- To strengthen relationships.
- To align money with who we want to become.

This is where good financial advice can make a meaningful difference. A trusted adviser helps turn values into structure, and intentions into practical decisions, so money supports your life rather than competes with it.

When used in service of a good life, rather than in pursuit of a perfect one, money can support happiness in ways that are meaningful and lasting.

Often the good life is surprisingly simple.

> Less comparison. More connection.
>
> Less chasing. More purpose.

Here's to a year where money becomes what it is best suited to be: a resource for intentional, human prosperity.

From the Team at phwealth

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[1] Source: https://blog.fsc.org.nz/media-release-2-may-2024
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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.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Avg
New Zealand shares	20.3%	1.4%	-31.6%	20.5%	3.7%	0.4%	25.9%	17.9%	19.2%	15.1%	10.1%	23.6%	6.0%	31.6%	14.6%	0.2%	-11.3%	3.5%	12.2%	4.1%	8.4%
Australian shares	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%	16.2%	-0.1%	13.0%	14.4%	15.6%	7.9%
Global large shares	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%	28.2%	-11.4%	23.7%	34.2%	17.8%	9.5%
Global value shares	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%	28.3%	1.2%	11.4%	26.1%	17.5%	7.4%
Global small shares	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%	21.8%	-12.1%	15.6%	22.3%	16.6%	8.6%
Emerging markets shares	28.1%	27.6%	-38.5%	43.7%	10.8%	-18.3%	11.4%	-2.1%	3.1%	-3.0%	9.5%	34.6%	-9.8%	18.1%	10.7%	2.4%	-13.8%	10.3%	21.5%	29.8%	6.9%
New Zealand property	25.8%	-3.6%	-20.2%	13.1%	3.8%	11.1%	21.4%	4.4%	25.4%	15.7%	3.8%	13.9%	10.9%	32.4%	5.0%	3.5%	-21.8%	6.2%	-2.5%	13.5%	7.2%
Global property	33.4%	-19.4%	-28.7%	5.9%	13.6%	0.8%	15.1%	2.6%	28.6%	14.2%	4.1%	5.0%	-0.1%	23.0%	-14.5%	38.6%	-18.9%	10.8%	16.2%	3.9%	5.3%
New Zealand fixed interest	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%	-4.4%	-5.1%	7.4%	6.8%	5.5%	5.1%
Hedged global bonds	6.0%	8.5%	11.2%	7.8%	7.6%	8.2%	8.4%	2.2%	11.1%	4.5%	5.8%	4.0%	1.8%	7.5%	5.4%	-1.2%	-11.7%	6.6%	3.0%	3.7%	4.9%
New Zealand Cash	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%	0.4%	2.6%	5.5%	5.4%	3.3%	3.5%
Portfolio 50/50	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%	7.9%	-9.1%	10.1%	12.0%	9.6%	7.0%
Inflation	2.6%	3.2%	3.3%	2.1%	3.9%	1.9%	1.0%	1.6%	0.7%	0.1%	1.3%	1.6%	1.9%	1.9%	1.4%	5.9%	7.2%	4.7%	2.2%	2.8%*	2.6%

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Highest	33.4%	27.5%	15.4%	43.7%	17.4%	11.1%	25.9%	32.7%	28.6%	15.7%	10.4%	34.6%	10.9%	32.4%	14.6%	38.6%	2.6%	23.7%	34.2%	29.8%
	29.6%	18.2%	11.2%	42.1%	13.6%	9.3%	21.4%	27.0%	25.4%	15.1%	10.1%	23.6%	6.0%	31.6%	10.7%	28.3%	1.2%	15.6%	26.1%	17.8%
	28.1%	8.6%	8.3%	20.5%	10.8%	8.2%	15.1%	27.0%	19.2%	14.2%	10.0%	20.4%	4.4%	27.0%	8.6%	28.2%	-0.1%	13.0%	22.3%	17.5%
	25.8%	8.5%	-8.2%	17.0%	9.1%	2.7%	15.0%	17.9%	11.1%	14.1%	9.5%	20.1%	1.9%	25.5%	8.5%	21.8%	-5.1%	11.4%	21.5%	16.6%
	21.5%	3.5%	-20.2%	15.9%	8.7%	0.8%	12.4%	9.1%	10.6%	13.5%	9.0%	18.5%	1.8%	23.0%	6.0%	16.2%	-9.1%	10.8%	16.2%	15.6%
	20.3%	2.7%	-21.5%	13.1%	7.8%	0.4%	11.4%	4.4%	9.3%	9.0%	9.0%	14.9%	-0.1%	22.6%	5.4%	7.9%	-11.3%	10.3%	14.4%	13.5%
	16.6%	1.4%	-21.9%	7.8%	7.6%	-0.1%	11.0%	3.9%	9.0%	6.2%	5.8%	13.9%	-2.0%	21.1%	5.4%	3.5%	-11.4%	10.1%	12.2%	9.6%
	16.0%	-0.3%	-23.5%	5.9%	4.0%	-5.5%	9.4%	2.7%	7.4%	5.8%	5.3%	12.3%	-3.3%	18.1%	5.0%	2.4%	-11.7%	7.4%	12.0%	5.5%
	13.8%	-3.6%	-28.7%	5.7%	3.8%	-5.5%	9.1%	2.6%	7.4%	4.5%	4.1%	5.8%	-5.5%	14.3%	4.2%	0.4%	-12.1%	6.6%	6.8%	4.1%
	7.7%	-5.5%	-31.6%	4.5%	3.7%	-9.0%	8.4%	2.2%	3.4%	4.4%	4.1%	5.0%	-7.4%	7.5%	0.4%	0.2%	-13.8%	6.2%	5.4%	3.9%
	6.0%	-7.9%	-35.6%	3.1%	3.0%	-10.5%	6.3%	1.9%	3.1%	3.3%	3.8%	4.0%	-8.8%	5.2%	-7.4%	-1.2%	-18.9%	5.5%	3.0%	3.7%
Lowest	5.9%	-19.4%	-38.5%	1.8%	1.5%	-18.3%	2.7%	-2.1%	1.8%	-3.0%	2.3%	1.9%	-9.8%	1.5%	-14.5%	-4.4%	-21.8%	3.5%	-2.5%	3.3%

Source: **New Zealand shares** - *S&P/NZX 50 Index (Gross with ICs),* **Australian shares** - *S&P/ASX 200 Index (Total return) ,* **Global large shares** - *MSCI World Index (Net div.),* **Global value shares** - *MSCI World Value Index (Net div.) ,* **Global small shares** - *MSCI World Small Cap Index (Net div),* **Emerging markets shares** - *MSCI Emerging Markets (Net Div.),* **New Zealand property** - *S&P/NZX All Real Estate Index (Gross with ICs) ,* **Global property** - *S&P Developed REIT Index (Net div.),* **New Zealand fixed interest** - *S&P/NZX A-Grade Corporate Bond Index,* **Hedged global bonds** - *Bloomberg Global Aggregate Bond Index (NZD hedged),* **New Zealand cash** - *New Zealand One-Month Bank Bill Yields Index,* **50/50 portfolio** - *portfolio returns net of manager fees, but gross of tax, adviser and platform fees.* **Inflation:** *Statistics NZ change in New Zealand Consumer Price Index from Jan 2003 to Present. *Indicative 2025 figure as at 15 January 2026.*