WHAI RAWA

INVESTMENT COMMENTARY

JANUARY 2019

As with any investment, it is important that it is suitable for your personal circumstances. It is important that you seek advice from an appropriately authorised financial adviser.

You can find information about Whai Rawa Unit Trust on the Disclose register managed by the Registrar of Financial Service Providers. We encourage investors to take an interest, review their own investment choices and ask questions about where and how their money is invested.

The information contained in this document is intended for general guidance and information only and is **not personalised** to you. It does not take into account your particular financial situation or goals. Before making any investment decision, you should refer to the Product Disclosure Statement or consult an appropriately **authorised** adviser.

NGĀI TAHU WhaiRawa

Whai Rawa Fund Limited is the issuer of the Whai Rawa Unit Trust. A Product Disclosure Statement for the Whai Rawa Unit Trust is available at www.whairawa.com/pds/.

MARKET SUMMARY

The December quarter was a turbulent one for global markets, with all major share markets suffering significant losses.

On the back of concerns over slowing economic growth in China, rising interest rates and continued global trade tensions, share markets suffered from what was widely dubbed “the worst month in ten years” in October. While November brought some relief, even Christmas couldn’t protect share markets in December, as they rounded off the quarter with another large decline. The quarter finished with developed market shares (which include US, UK, Australia, New Zealand among others) falling -13.1%, erasing gains made earlier in the year and leading to the first negative calendar year return since 2011.

WHAT THIS MEANS FOR WHAI RAWA MEMBERS

Investors have had a great run since the Global Financial Crisis in 2008. Indeed, global shares have been positive for the last seven years, last recording a loss in 2011. Markets have been supported by Central Bank actions (very low interest rates and quantitative easing packages) and growing economies, without the usual threat of inflation. This has led to strong and stable returns for investors, who got used to positive returns, but are now being reminded that prices can go down as well as up.

The Whai Rawa fund is no different and the returns were impacted negatively last quarter, down -1.2%. However, the 2018 financial fund year to date return is still positive providing a 1.7% gain. Put simply, as the quarterly earnings rate is allocated to each member’s account, Whai Rawa members will have lost money in the last three months of the year, but overall the return for the year 2018/2019 is positive. While this is a low return, it is not unexpected particularly as we have had some very strong returns in other years – a lower return every now and then is part and parcel of investing for the long term. The average return (before fees and tax) for the last 5 years is over 6% (well above what members could have earned at the bank).

MARKET OUTLOOK

The World Bank released a report in January forecasting global economic growth for the medium term to reduce relative to previous forecasts, but to remain positive, projecting global growth of 2.9% in 2019 and 2.8% in 2020-2021. The growth projections are supported by improving employment data across the US and Europe, including evidence of real wage increases in the US. Economic growth is usually a precursor to positive investment returns.

There are, however, risk factors associated with the current global environment. Despite some recent improvements in the relationship between the United States and China, there is still potential for disruption to global trade. Political risks associated with the (partial) US government shutdown and ongoing Brexit negotiations also remain elevated, adding to investors’ concerns. However, despite these risks, we believe global growth remains relatively robust and that shares are still supported by relatively strong fundamentals.

While we expect a general trend of positive returns, this is likely to be interrupted with bouts of volatility (i.e. some short term negative returns along the way).

THE WHAI RAWA UNIT TRUST

Whai Rawa funds are invested in Mercer Investment Trusts New Zealand’s Conservative Fund (the Fund), which has a mix of defensive and growth assets. The benchmark split is 80% defensive assets, such as bonds (50%) and cash (30%) and 20% growth assets, such as shares (16%) and real assets (4%). The Fund is expected to achieve slightly higher returns over the medium term (at least 3 years) than those expected from investing solely in bank term deposits, but there is a possibility of some fluctuations in returns in any one year.

No one likes negative returns and we know that can make some of our members quite uncomfortable. We’re not comfortable with the negative returns either, but we were pleased that the diversified nature of our fund moderated the falls compared to less diversified portfolios. More information about the Whai Rawa Unit Trust can be found in the Product Disclosure Statement and the latest fund update which is available on the Whai Rawa website.

If you have any pātai/questions please get in touch with:

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Te Rūnanga o NGĀI TAHU

Whai Rawa NGĀI TAHU