

Portfolio Construction Considerations



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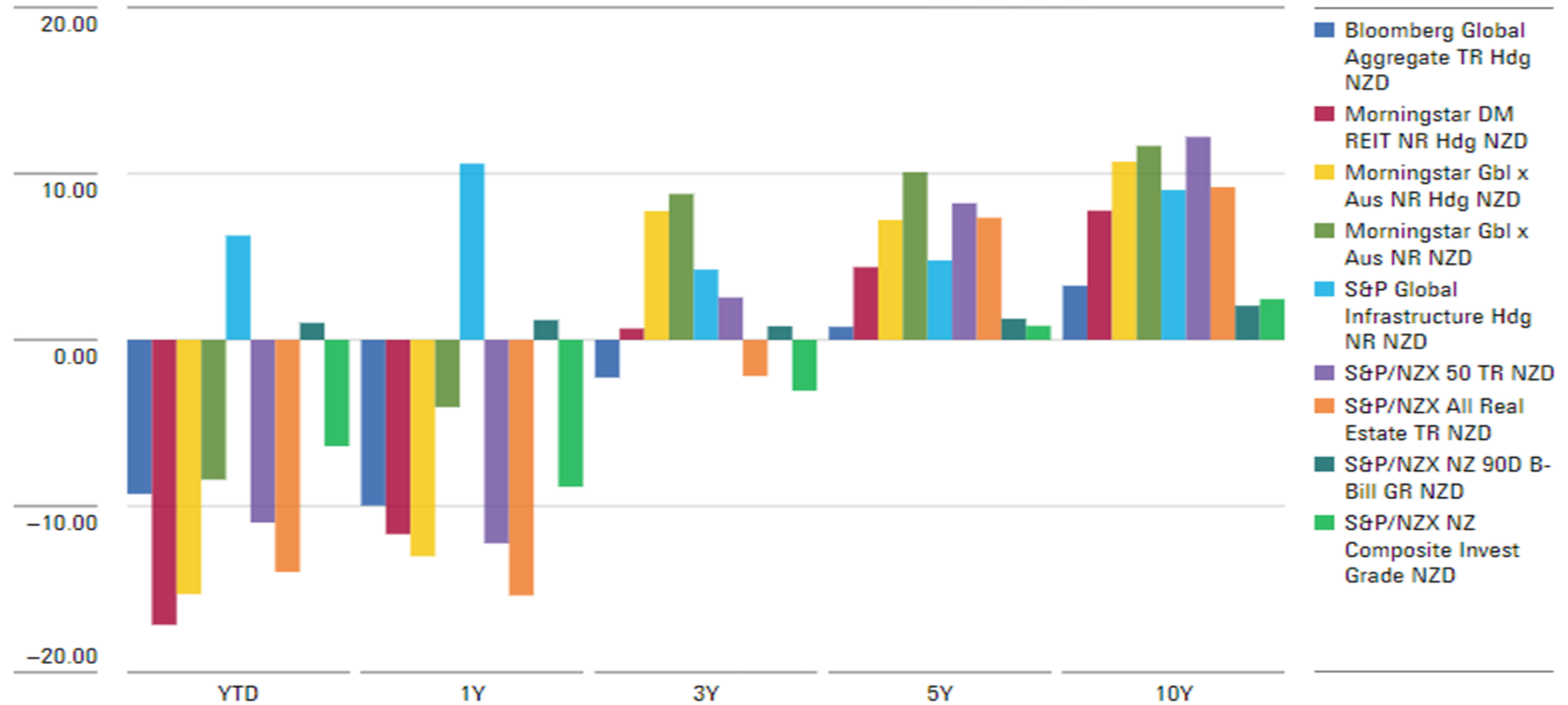
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Which of the Below Has Been the Best Performing Asset Class in the Last Year?

- Cash
- NZ Bonds
- NZ Equities
- Global Listed Infrastructure
- Global Bonds
- Global Equities

Not a Great Year for Investors

As of Date **Last Month End** ▾ Data Points **Trailing Return** ▾ Time Periods **5 Selected** ▾ Currency **Base Currency** ▾
 View Chart ▾ 3 More Settings ▾



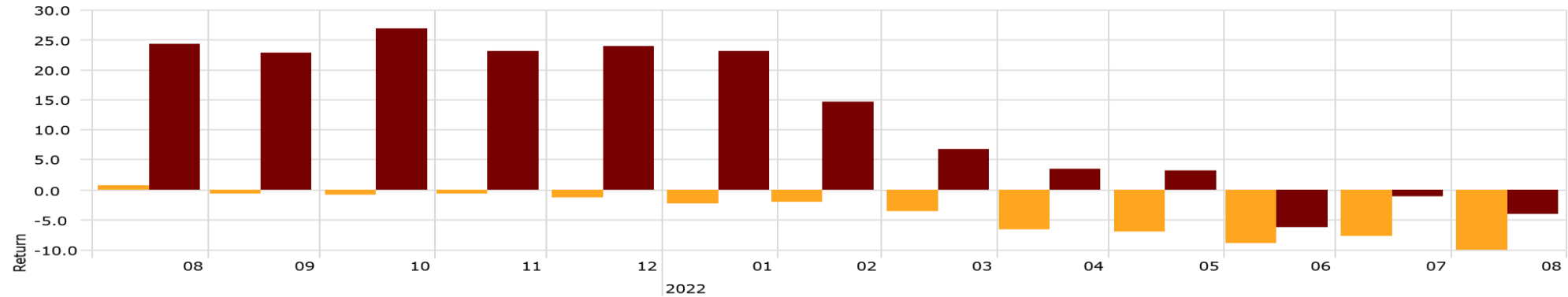
Source: Morningstar Direct. Data as at 31/08/2022

Bonds and Equities Both Negative at the Same Time

Bloomberg Global Aggregate TR Hdg NZD vs Morningstar Gbl xAus NR NZD

Time Period: 1/09/2020 to 31/08/2022

Currency: New Zealand Dollar Rolling Window: 1 Year 1 Month shift



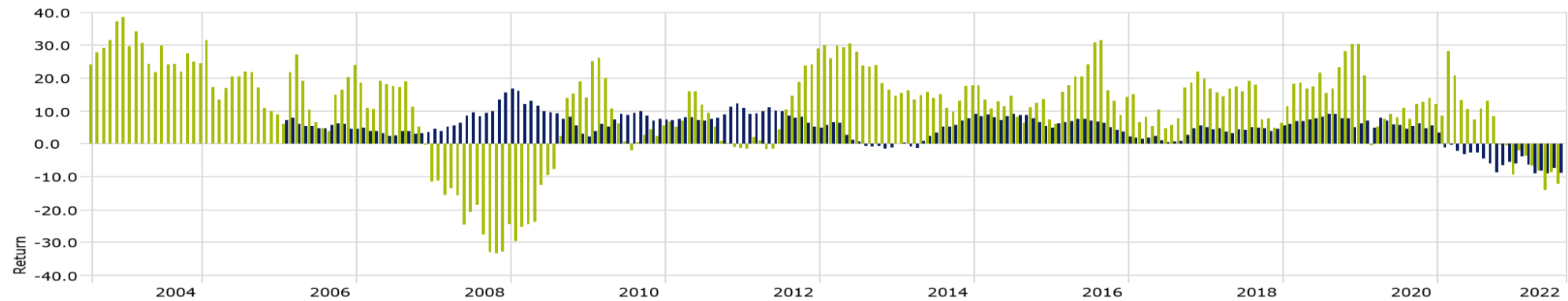
— Bloomberg Global Aggregate TR Hdg NZD

— Morningstar Gbl xAus NR NZD

S&P/NZX 50 TR NZD vs S&P/NZX Composite Invest Grade NZD

Time Period: 1/09/2002 to 31/08/2022

Currency: New Zealand Dollar Rolling Window: 1 Year 1 Month shift

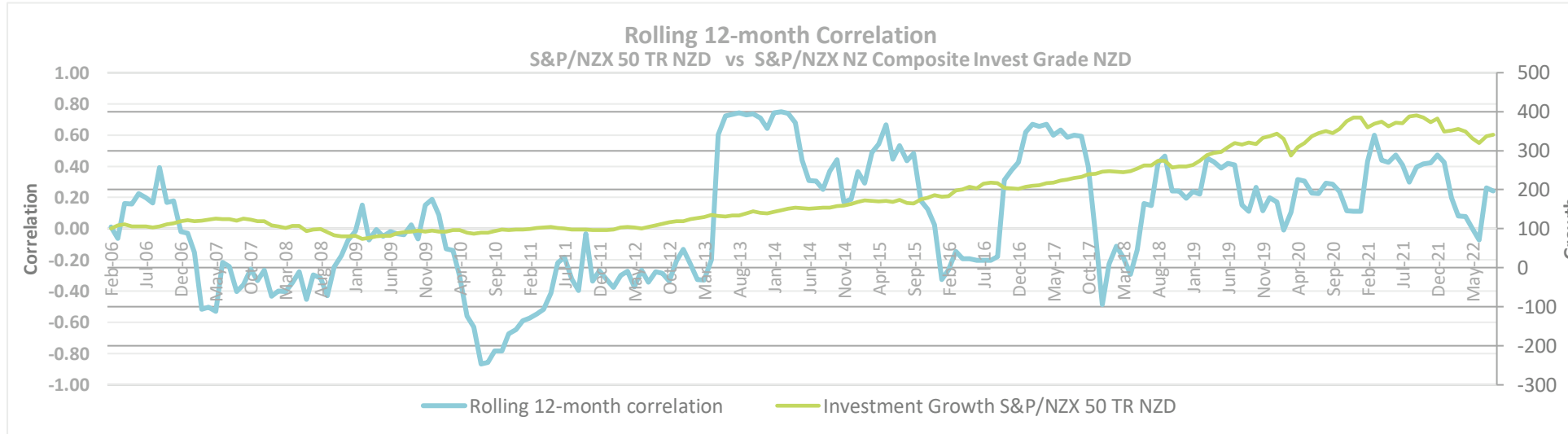
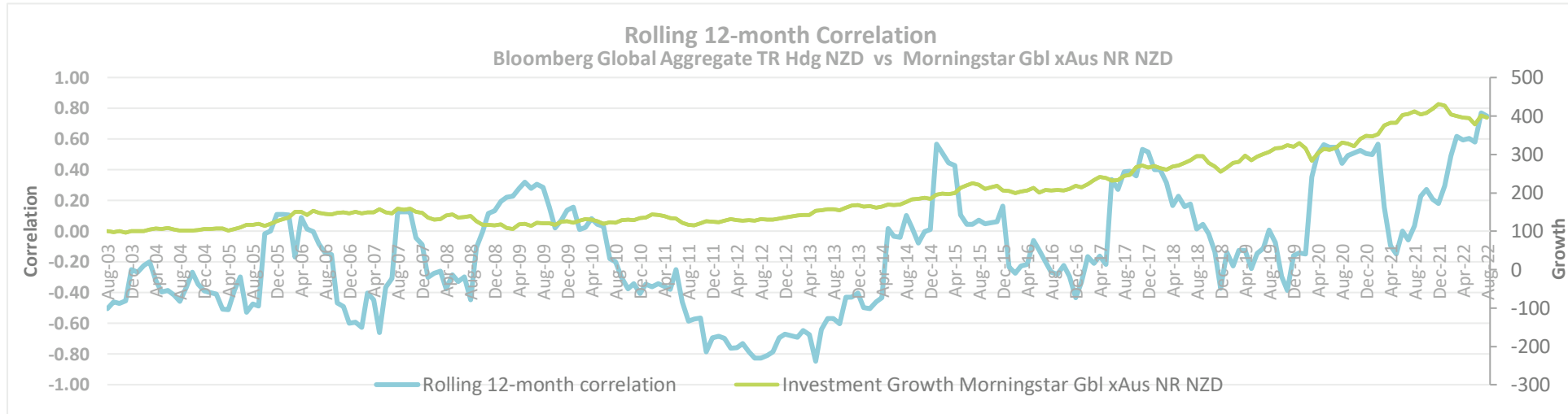


— S&P/NZX 50 TR NZD

— S&P/NZX Composite Invest Grade NZD

Source: Morningstar Direct. Data as at 31/08/2022

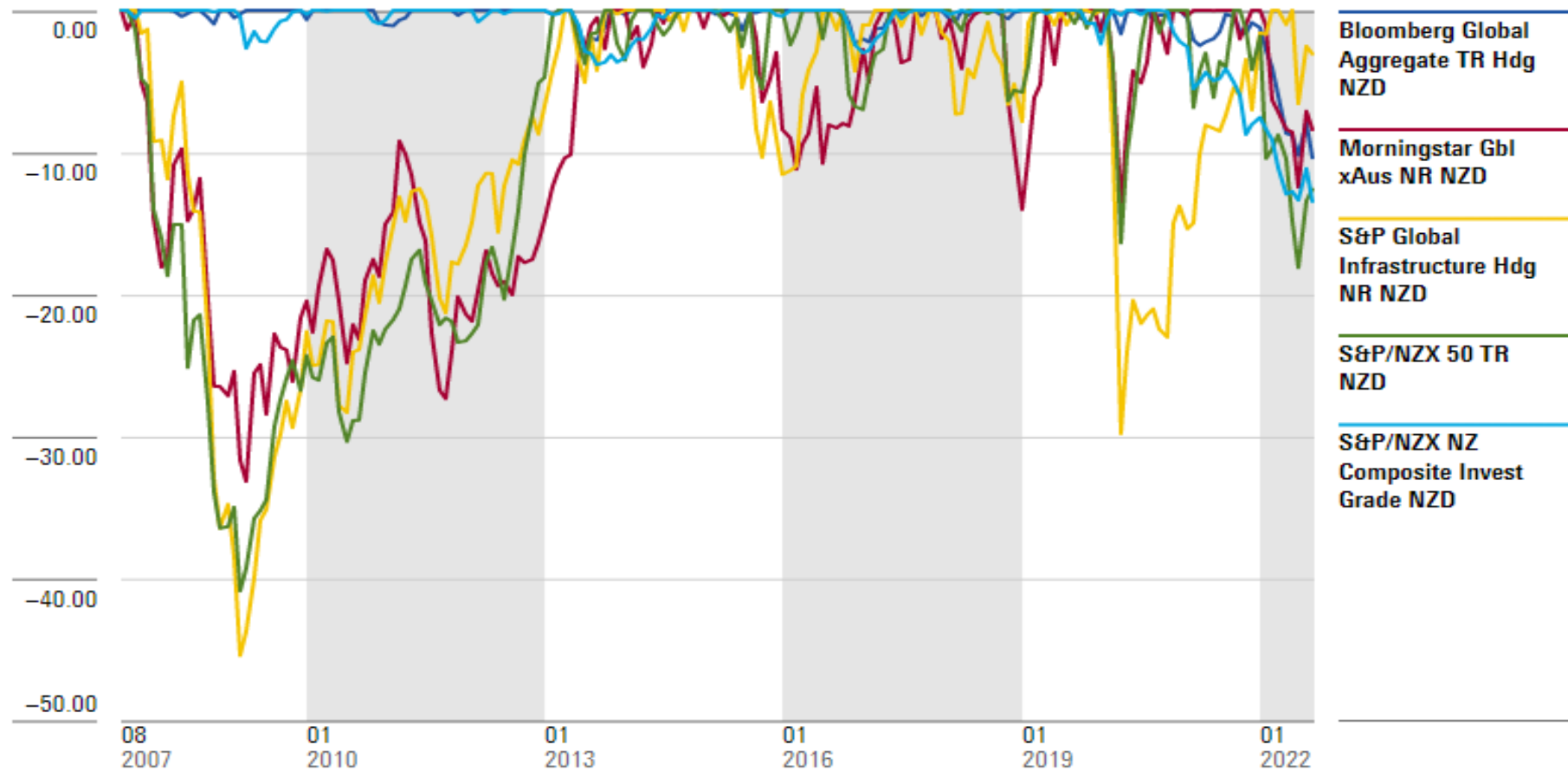
Bonds/Equity Correlations Change Over Time



Source: Morningstar Direct. Data as at 31/08/2022

Infrastructure Doesn't Protect You All of the Time

Start Date 15 Years Ago (09/01/2007) ▾ End Date Last Month End (08/31/2022) ▾ Currency Base Currency ▾ View Chart ▾
3 More Settings ▾



Source: Morningstar Direct. Data as at 31/08/2022

Foreign Currency Exposure Can Be a Hedge

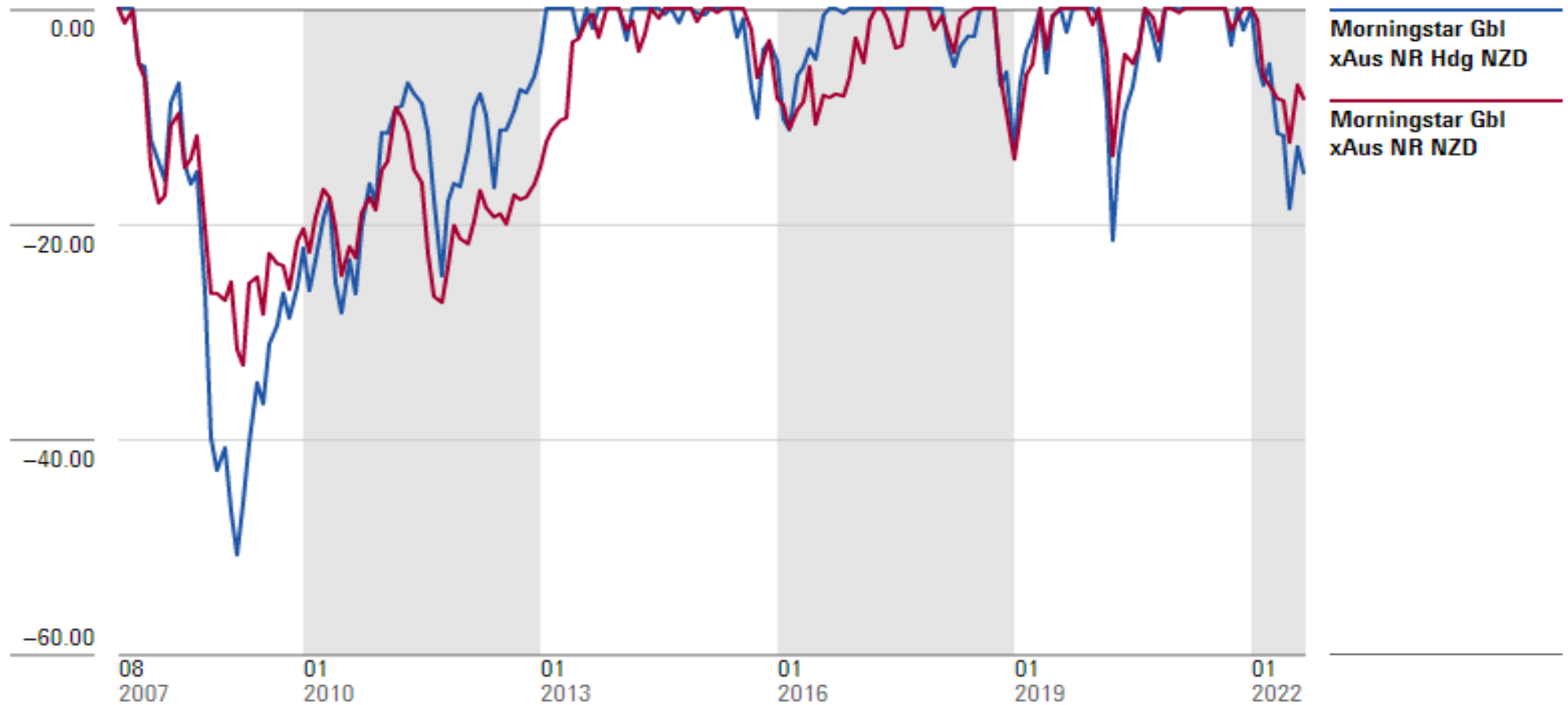
Start Date 15 Years Ago (09/01/2007) ▾

End Date Last Month End (08/31/2022) ▾

Currency Base Currency ▾

View Chart ▾

3 More Settings ▾



Source: Morningstar Direct. Data as at 31/08/2022

Where To From Here? Global Markets Dashboard

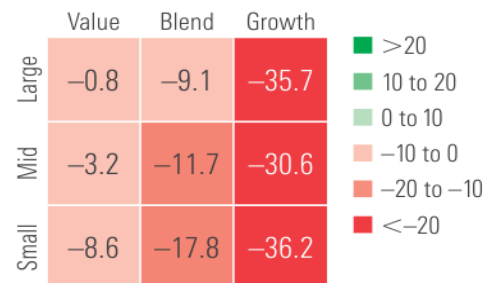
For investors, there was nowhere to run and nowhere to hide in the second quarter. As inflation rose and monetary policy tightened across the globe, all asset classes suffered significant losses. Much of the recovery experienced in the second half of 2020 and 2021 has been erased, and uncertainty looms as to how long the current downturn will last.

Equities	12 Month Yield	Return (%)						Fundamental Measures			
		YTD	3 Mo	1 Yr	3 Yrs	5 Yrs	10 Yrs	P/E	P/B	P/S	P/C
S&P 500	1.6	-20.0	-16.1	-10.6	10.6	11.3	13.0	18.4	3.5	2.4	14.4
Russell 2000	3.9	-23.4	-17.2	-25.2	4.2	5.2	9.4	11.8	1.8	1.2	9.7
MSCI EAFE	3.9	-19.6	-14.5	-17.8	1.1	2.2	5.4	12.6	1.5	1.3	8.8
MSCI Emerging Markets	3.3	-17.6	-11.4	-25.3	0.6	2.2	3.1	10.8	1.6	1.3	7.8
Fixed Income	Current Yield							Interest Rates		Current	1 Yr Ago
U.S. Aggregate	3.7	-10.3	-4.7	-10.3	-0.9	0.9	1.5	2 Yr Treasury	2.9	0.3	
U.S. Corporates	4.8	-12.9	-6.4	-13.3	-0.8	1.5	2.8	5 Yr Treasury	3.0	0.9	
High Yield	9.0	-14.0	-10.0	-12.7	0.0	2.0	4.4	10 Yr Treasury	3.0	1.5	
Municipals	3.2	-9.0	-2.9	-8.6	-0.2	1.5	2.4	20 Yr Treasury	3.1	2.1	
Emerging Markets (USD)	8.6	-20.3	-11.4	-21.2	-5.2	-1.2	2.2	Prime Rate	4.8	3.3	
Broad Commodities								Commodities			
Bloomberg Commodity		18.4	-5.7	24.3	14.3	8.4	-0.8	Brent Crude Oil	115	75	
								Gold	1,817	1,763	

3-Month Return (%)



1-Year Return (%)



5-Year Return (%)



Where To From Here?

The 2-Year/10-Year Treasury Spread Reflects Market Reaction to Fed Decision

The two-to-ten-year spread is the differential between two-year and ten-year Treasury yields and a measure of the overall steepness of the yield curve. The spread captures expectations for rates over the short term versus longer-term equilibrium levels. The spread as of the end of the second quarter was almost zero, reflecting tougher economic conditions as the Federal Reserve continues to raise short-term interest rates.



Issues To Consider

- Few places to hide this year
 - But don't let that influence long term thinking!
- Trying to predict the inflation rate likely won't help your clients
- Bonds aren't dead
 - Unconstrained bond managers increasingly adding duration
- Foreign currency exposure can be a “free” hedge
- No one metric, data point or measurement provides all the answers
- Breadth of knowledge across all asset classes is key to making

Something to Think About

- If this all seems too hard or too complex, you can **outsource to an expert**
 - Implemented model portfolios
- **Professional investment management** across multiple asset classes
- **Efficient execution** of transaction across multiple client accounts simultaneously **introduces time savings** on average of 15.7 hrs per week*
- **Reduces risk** of treating clients unequally

Questions