



Fund Watch

APRIL 2021

Welcome

It was a mixed quarter for investors, with New Zealand equities and fixed interest both negative performers, while international equities performed strongly. In this issue we look at how the SIL Mutual Scheme's funds have performed and some of the key factors behind it.

How has each SIL fund performed?

Performance as at 31 March 2021	3 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)
SIL Balanced Plus Fund	2.28%	26.73%	9.77%	8.97%	9.22%
SIL New Zealand Fixed Interest Fund	-2.65%	1.32%	3.98%	3.35%	4.34%
SIL International Share Fund	6.57%	33.29%	14.37%	13.80%	11.62%
SIL New Zealand Share Fund	-4.52%	26.42%	15.34%	13.23%	14.07%
SIL Cash Plus Fund	0.07%	0.64%	1.50%	1.73%	2.12%

Performance is after annual fund charges and before tax.

International equity markets finished the first quarter of 2021 mostly higher, continuing their strong recovery from the COVID-19-induced recession. The good showing came as vaccine rollouts picked up steam, most notably in the US and the UK, improving the outlook for global growth. Against the backdrop of a strong start to 2021, the SIL International Share Fund gained 6.57% over the quarter.

New Zealand equities didn't fare as well with the NZX 50 ending the quarter down 4.1%, underperforming most global markets. The weakness came after some worse-than-expected economic data that showed the economy contracted by 1% in the final quarter of 2020. The challenging start to the year saw the SIL New Zealand Share Fund decline 4.52% over the quarter.

It was a challenging quarter for domestic bondholders as rising inflation expectations around the world pushed most bond yields higher, a scenario where bond prices tend to decline. Against this backdrop, the SIL New Zealand Fixed Interest Fund fell 2.65%, over the quarter.

What happened in Q1?

Here are some key themes from the first quarter of 2021:

Bond yields surged as markets priced in inflation: Over the quarter, government bond yields rose sharply as financial markets began to price in a pick-up in inflation amid the reopening of the economy. Bond yields in the US and several European countries hit their highest level in more than a year.

The rise in inflation expectations came amid assumptions that pent-up consumer demand would be released into the economy in the coming months as countries begin to resemble some form of normalcy.


More vaccines approved for emergency use: The vaccination outlook improved markedly during the quarter, with vaccines from Moderna, AstraZeneca/Oxford and Johnson & Johnson granted for emergency-use approval in several countries around the world. These came after the Pfizer/BioNTech vaccine was approved in late-2020.

However, the AstraZeneca/Oxford vaccine came under scrutiny after a small number of people developed blood clots soon after immunisation, which saw some countries across Europe briefly suspend the use of the vaccine. However, soon after the temporary suspension, the European Medicines Agency concluded that the AstraZeneca/Oxford vaccine is not associated with an increased risk of blood clots (although the Agency's safety committee's review of unusual blood clot cases continues into the second quarter).

Underwhelming New Zealand growth data: The quarter saw the release of 2020 fourth-quarter GDP, which showed the economy contracted by 1%, worse than most expectations. The 1% decline saw year-on-year growth fall to -0.9%. The decline was led by the services industry, in particular tourism and restaurants, while goods-producing sectors such as construction also saw sharp declines.

Here to help

For financial advice, speak to your financial adviser. ANZ Investments can put you in touch with an adviser in your area if you need one. You can contact ANZ Investments on:

 **0800 736 034**  **service@anzinvestments.co.nz**  **silfunds.co.nz**

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