



Fund Watch

OCTOBER 2021

Welcome

It was a mixed quarter for investment markets. Following a strong start, global equity markets gave back their gains to finish only slightly higher, but New Zealand shares were standout performers. New Zealand bonds had a challenging time too, as signs of inflationary pressure signalled that interest rates hikes lay ahead. In this issue, we look at how the SIL Mutual Scheme's funds have performed, and why.

How has each SIL fund performed?

Performance as at 30 September 2021	3 months (%)	1 year (%)	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)
SIL Balanced Plus Fund	0.95%	16.31%	9.43%	9.46%	10.41%
SIL New Zealand Fixed Interest Fund	-1.23%	-5.73%	2.80%	2.49%	3.60%
SIL International Share Fund	0.97%	22.04%	12.64%	15.50%	14.65%
SIL New Zealand Share Fund	6.15%	13.92%	12.94%	12.65%	14.88%
SIL Cash Plus Fund	0.05%	0.29%	1.16%	1.56%	2.01%

Performance is after annual fund charges and before tax.

Global equity markets had a volatile quarter, with several indices in the US trading to all-time highs before erasing most of the gains to end at or around flat. The volatility came after concerns China's Evergrande Group – the country's largest property developer – may not be able to meet its debt obligations. Despite the pickup in volatility, the SIL International Share Fund was able to deliver a 0.97% return over the quarter.

Meanwhile, New Zealand equity markets had a good quarter, comfortably outperforming most global counterparts, helped in part by some better-than-expected economic data. This outperformance saw the SIL New Zealand Share Fund deliver a healthy 6.15% return over the quarter.

It wasn't such a good quarter for domestic bondholders as the better-than-expected economic data, coupled with rising inflation expectations and capacity constraints, saw bond yields rise – a scenario when bonds tend to underperform. Furthermore, the Reserve Bank of New Zealand signaled it would soon begin to raise the Official Cash Rate to alleviate the capacity constraints. The decline in bond prices saw the SIL New Zealand Fixed Interest Fund decline 1.23% over the quarter.

What happened in Q3?

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

Earnings season provided broad-based support for share markets: Share market gains in July and August were helped by a strong second-quarter earnings season. In the US, nearly 90% of S&P 500 companies reported better-than-expected revenue and earnings figures. In fact, it proved to be the strongest year-on-year earnings growth rate in over 10 years, with companies benefitting from the reopening of economies post the pandemic-induced lockdowns.

Evergrande Group and slowing Chinese growth weighed on sentiment: Share markets reversed direction in September, driven lower by concerns that China's Evergrande Group, the country's largest real-estate developer, might default on billions of dollars of debt. Investors were worried that this might lead to a credit crunch, which could hamper economic progress in the world's second-largest economy. It comes at a time when growth is expected to slow, given energy shortages and industrial shutdowns – a result of environmental controls and supply constraints.

Central bank policy impacts on bond market sentiment: Bond markets were well supported for much of the quarter as the world's central banks left interest rates on hold at historically low levels. However, some strong economic data and a pick-up in inflation prompted some of them to consider tapering their monthly bond purchases – part of their quantitative easing policies which have provided markets with extraordinary support during the pandemic.

Delta outbreak sends New Zealand into lockdown: In New Zealand, the quarter was highlighted by the outbreak of the Delta COVID-19 variant. The news saw New Zealand move into Alert Level 4 lockdown. Despite the move and ensuing slowdown in economic growth, domestic equities held up well with the NZX 50 rising nearly 5% over the quarter.

Easy ways to stay on top of your fund

These days, most people manage their bank accounts online. But did you know you can manage your SIL Mutual Scheme account the same way?

You can track and manage your account through ANZ Internet Banking or the ANZ goMoney app – even if you don't bank with ANZ. You can check your balance, see how your fund is performing and view your transaction history anywhere, anytime, on your computer or smartphone. If you bank with ANZ, you can also make additional lump sum contributions by transferring money directly from your ANZ everyday accounts.

If you're not already registered for ANZ Internet Banking or goMoney, here's how:

ANZ customers:

- To register for ANZ Internet Banking, visit anz.co.nz, click on 'Log on' and then 'Register now'
- To register for ANZ goMoney, download the app on your iPhone, iPad or Android device

Non-ANZ customers:

For your security, to register for ANZ Internet Banking and/or ANZ goMoney we'll first need to verify your identity. Simply come into any ANZ branch with some suitable ID and address verification documents.

Find out more here. For more information, visit silfunds.co.nz/keepingtrack