

YOUR SUPER NEWSLETTER

MARCH 2022

Welcome to the first super newsletter of 2022! We hope you had a relaxing holiday season!

This edition includes the latest investment news and performance, key dates for 2022, accessing your online account and articles on setting financial goals, financial capability and an article on what is causing the most recent market volatility.

Helpline can be reached on **0800 355 900** between 9am and 7pm Monday to Friday to answer any questions about your member statement and annual report, your accounts, or this newsletter.

AT A GLANCE

- Key dates for 2022
- Investment performance
- Investment news
- What were the top performing asset classes of 2021?
- The Ukraine crises and its implications
- What is causing market volatility
- Access your online account
- What is financial capability
- New Year, new financial goal?

KEY DATES FOR 2022



March
Newsletter



June
Newsletter



August
Survey



September
Annual statement
and report



November
Newsletter

INVESTMENT PERFORMANCE

The table below shows how the Scheme's investment options have performed over the year to date (April to December) and since investment choice was made available to members in 2003. Returns are determined monthly, and take into account the effect of compound interest.

Returns for each investment option after tax, fees and expenses							
	Cash	Cash/ Conservative	Conservative	Conservative/ Balanced	Balanced	Balanced/ Growth	Growth
Scheme year to 31 March 2021	0.05%	4.56%	9.24%	14.58%	20.14%	23.23%	26.38%
Periods to 31 December 2021							
Scheme year to date (9 months)	-0.05%	1.30%	2.67%	4.39%	6.14%	7.23%	8.32%
1 year	0.0%	2.0%	3.9%	6.7%	9.6%	11.4%	13.2%
5 years (average p.a.)	0.8%	2.4%	4.0%	5.6%	7.2%	8.0%	8.9%
10 years (average p.a.)	1.5%	3.0%	4.6%	6.2%	7.8%	8.6%	9.5%
Since 31 March 2003 (average p.a.)	2.5%	3.5%	4.5%	5.3%	6.1%	6.6%	7.0%

INVESTMENT NEWS

Financial markets ended the month of November on tumultuous footing as rising hospitalizations in Europe due to the Coronavirus alongside the new Omicron variant of the Coronavirus spurred uncertainty in what would have been a broadly positive month for risk equities. In November, The Reserve Bank of New Zealand (RBNZ) raised the Official Cash Rate (OCR) by 0.25% to 0.75%. The Consumers Price Index (CPI) saw its largest jump in 12 years, up 4.9% as global supply constraints continue put upwards pressure on prices of goods and services.

December 2021 finished on a strong note despite being disrupted by COVID-19. With a slow start to the month due to a rapid rise in Omicron infections globally and an apparent shift by the US Federal Reserve ('Fed') to slow down the economy to guard against excessive inflation, global share markets recovered towards the end of December with the MSCI World Index returning 3.4%.

January 2022 was a volatile month for equities (shares). High flyer tech stocks such as Netflix, Paypal and Meta (formerly known as Facebook) saw up to 25% stock price drops after earnings came in lower than expected setting the tone for other companies releasing earnings to beat analyst expectations by a high margin as investors' became wary of high valuations.

Inflation remained at multi-decade highs as a competitive labour market and soaring oil prices sustained upward pressure on inflation. In New Zealand, inflation surged to 5.9% (year to 31 December 2021) as messaging from central banks tilted towards inflation being more persistent going into 2022. This paired with low unemployment figures, have paved the way for the RBNZ to raise interest rates further this year. Increasing domestic interest rates can also impact on the price of New Zealand shares, which form part of your investments.

WHAT WERE THE TOP PERFORMING ASSET CLASSES OF 2021?

Witnessing the "red ink" generated by most asset classes in early 2022, it can be easy to forget how well investors have fared over longer periods. Markets have certainly been challenged in recent years, most notably by the Covid-19 pandemic, but nonetheless, have demonstrated considerable resilience, aided by government fiscal stimulus and solid profits from the world's largest technology companies. Low interest rates also played their part, although we have seen this tailwind run out of puff, causing bond markets to deliver uncustomary weak returns in 2021.

The volatile nature of financial markets is highlighted by Mercer's "Periodic Table" of investment returns. Produced annually, the Table colour-codes 16 major asset classes and ranks how each performed, on an annual basis, over the last 10 years. A glance at the Table, with its scattered palette, quickly highlights how problematic it is to unearth patterns; at least patterns that could be of use to us looking forward. Last year's stars sometimes prove to be a winner again the next year, but at other times sink to occupy the lower ranks. If only investing were easy!

Mercer's annual periodic table of investment returns is out now at www.dairysuper.co.nz

Source: Mercer (N.Z.) Limited

THE UKRAINE CRISES AND ITS IMPLICATIONS

It has been extremely sad to witness the recent developments in Ukraine and the humanitarian impact on the country's citizens.

The Russian/Ukraine conflict resulted in significant market volatility in late February and through into March. This was especially the case for Russian assets, which sold off sharply due to the imposition of a range of sanctions and the exclusion of major Russian banks from the SWIFT international payments platform. Global stock markets struck a "risk off" tone while traditional safe haven assets such as sovereign bonds saw yields retreating (prices rising).

Russia's role as a major energy provider, especially to Europe, has had a significant impact on energy markets. Oil prices rose materially with Brent Crude closing well above US\$100 per barrel (as at early March). Other commodities where both nations are significant producers (such as wheat and palladium) have also seen a sharp increase in prices, which added to global supply challenges.

Importantly, the Scheme portfolio options are well-diversified. They are strategically positioned for the longer term and, while affected by recent market weakness, are in a good position to continue to deliver on objectives over time.

The Scheme's underlying investment managers are responsible for assessing and managing Russian exposure, in line with any legal sanctions or requirements. The portfolios have very limited exposure to Russian securities, primarily through Emerging Market Equities where Russia is a component of the benchmark index. Heading into the conflict, exposure to Russia represented about 0.1% of both Global Equity and Global Bond allocations.

The market environment has meant that trading in Russian assets has become highly problematic. However, we expect the investment managers to continually monitor the liquidity environment and ensure that valuations are appropriate through this period. Of note is that a number of the major benchmark index providers have re-evaluated the inclusion of Russian assets, and moves to remove Russian securities from indices are afoot.

WHAT IS CAUSING MARKET VOLATILITY?

It is important to remember that it is normal for markets to go up and down.

While it's been great to see markets rally over the last 18 months (after the initial shock of 2020) fuelled by central banks stimulus packages, things are expected to slow down in the first half of the year with growth expected to rebound later in the year as the world works through the next steps in managing the new variant Omicron.

More recently, Russia's invasion of Ukraine is also likely to impact global markets and investors across the world, with New Zealand's share market suffering its biggest single-day fall in nearly two years, on day one of Russia going to war against Ukraine.

Things to remember in times of market volatility:

- 1. Diversification:** The Dairy Industry Superannuation Scheme offers seven investment options (three are 50/50 split among adjacent funds). Three investment options – Conservative, Balance, and Growth are diversified funds. This means these funds invest in a number of different assets such as shares, property, bonds and cash. The other option Cash, is a single sector option and as its name suggests this option invests only in cash.
- 2. Importance of seeking expert advice:** Financial advisers can help you make the right investment decisions.
- 3. Stay calm - it's about time, not timing:** You can access online tools to help you work out what fund you should be in and understand the impact markets may have on your investments. Take a moment to consider what sort of investor you are, by visiting and trying some of the tools available on the Sorted's website here.

To read the full article go to www.dairysuper.co.nz/latest-news

Want to find out how market cycles work?

Visit www.dairysuper.co.nz/latest-news/videos



ACCESS YOUR ONLINE ACCOUNT

You can access your online account anywhere at any time by logging in with your PIN/password. Create or reset your PIN/password online with your member number, a valid email address (which must be registered and match to the one in our system), and your date of birth. You can check and update your personal details and make changes to your investment options. Visit the current website at Dairy Industry Superannuation Scheme.

Visit www.dairysuper.co.nz



WHAT IS FINANCIAL CAPABILITY?

Financial capability deals with managing your finances to achieve your goals. Its feeling confident to make wise judgements about how we use and manage our money in ways that will enable us to reach our goals, benefit us now and in the future and ultimately enter retirement in a comfortable financial situation. The Retirement Commission (Te Ara Ahunga Ora) have published an article, which focuses on what influences our decisions and the importance of financial capability.

To read the full article go to

www.retirement.govt.nz/financial-capability/what-is-financial-capability

NEW YEAR, NEW FINANCIAL GOALS?

As we enter the New Year, setting financial goals can help us focus our lives and our money. Financial goals can be both short and long term the main aim is that your goals are achievable. Sorted.org.nz recently published an article titled "Setting financial goals – how to set money goals" which covers a few helpful points to assist with your financial goals.

Visit www.sorted.org.nz

