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PROFESSIONAL FINANCIAL ADVICE

booster

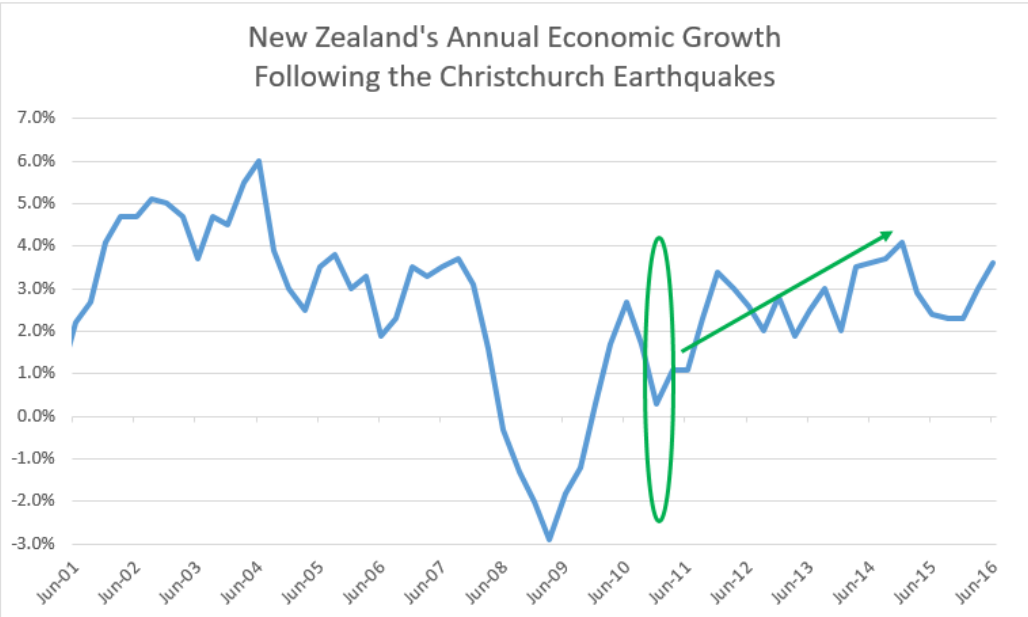
Market & Portfolio Update – November 2016

Rocking and Rolling On

The November 14 earthquake rocked the country and brought back distressing memories of the 2010 and 2011 Christchurch quakes for many of us. On top of the emotional impact it has caused there has been wide-scale disruption for much of New Zealand, as people and businesses are forced to deal with repairs, transportation issues and even relocation. It has been estimated that the damage totals around $3.5 billion and the growth of the economy over the short-term will be impacted.

Reading articles published by the media may lead you to believe the impact on the economy will be significant, due to widespread damage caused to infrastructure, businesses having to cope with repair and relocation on top of usual operations, and possibly even tourists being deterred from visiting our shores. However, as we know with the media their reports can often be quite sensationalist.

If we look back at what happened after the 2010 and 2011 Christchurch quakes we can see that economic growth quadrupled over the years following the quakes. Spending on construction and infrastructure played a much bigger part than the short-term disruption to businesses and we didn't see any impact on tourist numbers. With the Government books in good shape to fund the spend, the only real question left is can the already booming construction industry cope with even more demand?



Portfolio Update

- Investment funds were relatively flat for the month, with Donald Trump's election as US president not upsetting the solid gains that markets have delivered over the past 3-5 years. In New Zealand, it is early days following our own Prime Minister's resignation and while any significant effects over the next few months are unlikely, we will be closely watching how policies unfold heading into next year's election.

- Investments in Australian shares again performed particularly well, and our decision to favour investments in the major Australian banks rather than property companies added to portfolio returns.

- While share markets rose, interest rates on Fixed Interest investments were also higher - by around 0.5% for 10 year bonds in the United States and 0.4% in New Zealand. This is positive for future income, but held back returns on existing fixed interest investments as their prices adjusted to the new rates.

- If the signs of more spending in the United States flow through to other parts of the world (particularly with several elections coming up in Europe) we may well see interest rates continue to adjust upwards. While this takes place, we have moderately reduced investments in global fixed interest across portfolios to manage this transition.