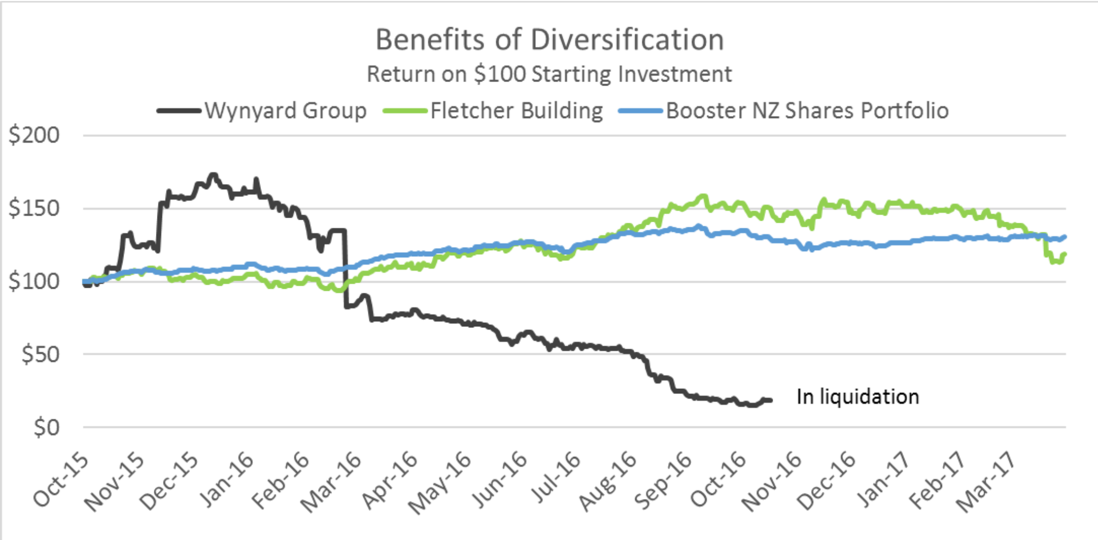
# Market & Portfolio Update – March 2017

## Eggs!

The recent collapse of the NZ crime-fighting software company Wynyard Group (not held in Booster funds) and Fletcher Building's recent announcement of lower profits both reinforce the strong benefits of diversification. When you come across a good investment, one you think ticks all the boxes, it's tempting to put all your eggs in that one basket. The problem lies in the possibility that whatever goes up, can also come down. This holds for shares listed on a stock exchange, cash deposits with a financial institution and even the kiwi love affair with property.

Diversification is the act of reducing 'unique risks' that relate specifically to a particular company. In plain English, it's about not putting all your eggs in one basket. The following graph illustrates this by comparing the returns on the once labelled 'hot' stock of Wynyard, alongside the large conglomerate Fletcher Building (which is itself diversified within the building sector) and the equivalent return on Booster's diversified NZ Shares portfolio.




Not diversifying can be very tempting, and can provide prodigious results if all goes well. But ensuring your investments aren't comprised by "the next best thing" or all in one type of asset, is crucial - as companies react differently to the same conditions. Instead, look to build your portfolio around many good ideas. If you've diversified efficiently, no single company-specific risk should thwart your long term financial goals. Your advisor will help ensure this is the case.

By the way, diversification doesn't mean holding 100 New Zealand companies. Research has consistently shown that with as few as 10 individual investments, a lot of the unique risks can be reduced significantly, and that a portfolio of 30 stocks (e.g. the Booster NZ Shares Portfolio) is considered well-diversified.

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- Most investment funds rose in March, with gains on both fixed interest and share investments more than offsetting a small decline in listed property stocks.

- Returns on overseas shares were helped by a 3.5% fall in the New Zealand Dollar. This was mainly thanks to the US Dollar rising, as the US Federal Reserve increased interest rates again.

- Australian shares continued their solid run, up over 5% for NZ investors (and almost 10% so far in 2017). After five years of lagging NZ share returns, better export earnings across the ditch have helped support Australian company profits, as well as the value of the Australian Dollar itself.