Greytown District Trust Lands Trustees

December 2021

Market Comments

November was a volatile month for global sharemarkets with investors unsettled by two key issues - the emergence of the Omicron variant and the prospect of a faster stimulus unwind from the world's central banks. After the strong rebound we saw in October (and a very weak September) world shares slipped 2.5% for the month. The local NZX 50 fell 2.9% for the month, while the ASX fell 1.5%. US shares held up best with a modest 0.8% decline.

Economic indicators have been mixed of late, particularly in China where the economy is still facing short-term challenges; albeit global manufacturing data suggests we remain in expansionary territory, having improved for three consecutive months since the August slump. At home, it remains to be seen how strongly activity and spending will rebound from the recent lockdowns, but the backdrop looks solid. Unemployment is extremely low, the Fonterra payout is set to be the highest ever, and business confidence resilient.

The inflation debate is likely to remain heated, and while we believe some elements of the current cost pressures will subside, investors must remain cautious. Some central bankers acknowledge that inflationary pressures might be more persistent than they first thought. The path of inflation and interest rates is a crucial piece of the economic puzzle, because of the impact it has on investor sentiment, asset prices and company margins.

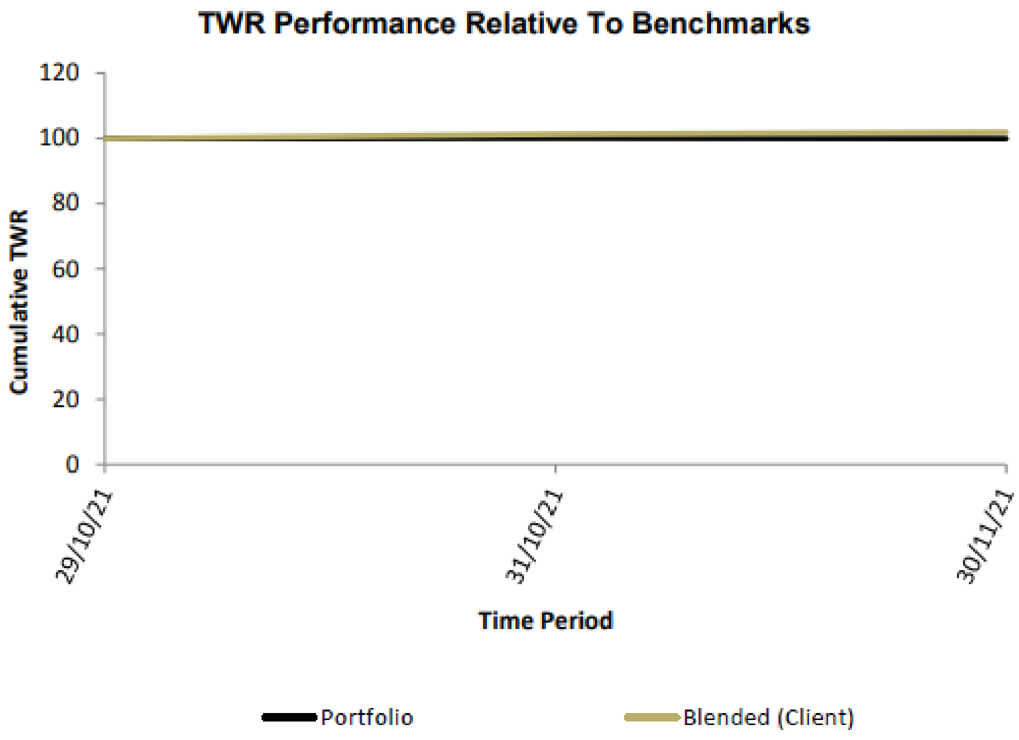
After 18 months at a record low of 0.25%, the OCR has moved to 0.75% since early October. Inflation is very high, house price gains are unsustainable, and the economy is running hot against the backdrop of an extremely tight labour market. Financial markets expect the OCR to be about 2.25% this time next year, and close to 3.00% a year after that.

We expect 2022 will have it challenges. With world shares almost 25% above pre-COVID levels the easy gains are behind us, while the tailwind of easy monetary policy is now a headwind as central banks look to reduce stimulus and raise policy interest rates. We still see opportunities and remain comfortable with our investment strategy. However, returns are likely to be more modest, volatility higher, and the divergence between various sectors and companies more pronounced.

Portfolio valuation and performance

Net contributions have been $4.0m.

Portfolio Value (8 December 2021)	$4,026,810
Forecast Income Yield	1.6% or approximately $63,500
Portfolio Performance for 1 year	NA
Portfolio Performance since inception (29/10/21) p.a.	0.7%



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Asset Allocation

The asset allocation for ATR's investments is a Balanced Portfolio as illustrated below:

Asset class	Current Portfolio %	Target Portfolio %	Minimum %	Maximum %
NZ Equities	11	25	15	35
Australian Equities	12	22	12	32
Global Equities	16	28	18	38
Property	0	0	0	8
Total Growth Assets	39	75		
Fixed Interest	32	22	12	32
Cash	29	3	0	30
Total Income Assets	61	25		

Fixed Interest

As expected, the RBNZ lifted the OCR to 0.75% last month. We believe the RBNZ will continue with OCR hikes in increments of 0.25%, although we are less convinced it will need to take the OCR as high as some anticipate. NZ interest rates were stable, with the five-year swap rate slipping from 2.61% to 2.59%. This saw the NZX Corporate Bond index rise 0.4% in November, highest in seven months. The two-year Treasury yield in the US increased from 0.50% to 0.57%, while the 10-year yield fell from 1.55% to 1.44%.

Top Ten Equity Holdings

Top Ten Equity Holdings	% of Equity Portfolio	% of Total Portfolio
Macquarie Group	3.0%	1.2%
CSL	2.8%	1.1%
Mainfreight	2.7%	1.1%
Summerset	2.7%	1.1%
Ramsay Healthcare	2.6%	1.0%
Fisher & Paykel	2.5%	1.0%
Ryman	2.5%	1.0%
Sonic Healthcare	2.5%	1.0%
Ebos	2.4%	1.0%
Resmed	2.5%	1.0%
Total % of Equity Portfolio	26.2%	10.3%

Equity Sector Allocation