

Greytown District Trust Lands Trustees

February 2022

Market Comments

January was a volatile month for global sharemarkets. The S&P 500 in the US fell 5.3%, with higher growth sectors faring the worst. This saw the tech-heavy Nasdaq index in the US fall a more substantial 9.0%. European and emerging market shares held up better, declining 4.8% and 1.9%, while the UK market posted a 1.1% gain. The local NZX 50 was one of the weaker markets, falling 8.8% in January. Apart from March 2020 (when the index fell 13.0%) that was the worst month since February 2009.

Inflation pressures remain in focus, across all parts of the world. The annual NZ inflation rate increased to 5.9% in the December 2021 quarter, the highest since June 1990. We do believe that inflation will fall over the latter part of 2022, although it might well stay higher than central banks are comfortable with. Price pressures have become increasingly broad based, rather than being driven solely by pandemic-related factors.

The global economy has started the year on a slightly weaker footing. January manufacturing data have pointed to slowing momentum in most regions, with the exception of the UK. This reflects a slowdown in activity rather than a contraction, and certainly related to the impact that Omicron-related restrictions are having on the services sector.

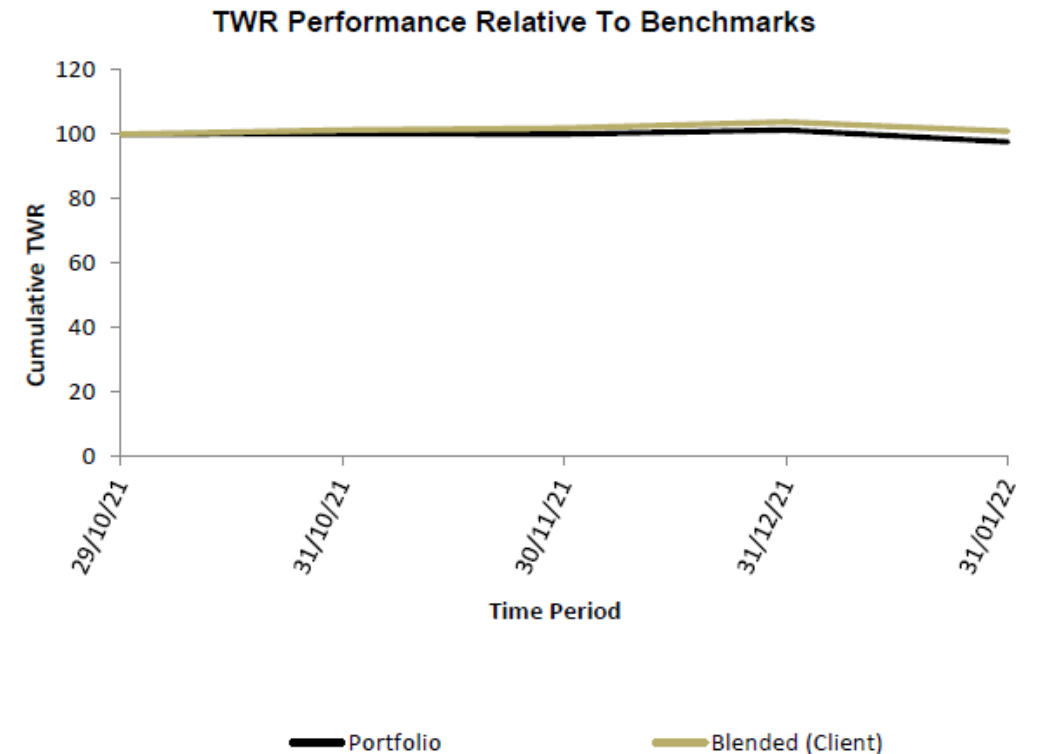
A bright spot on the domestic front has been ongoing strength in dairy prices. The headline GDT index is already up 9.2% this year, which sees prices at the highest level since January 2014. Against the backdrop of a weaker NZD, Fonterra has again upped its payout forecast for the current season.

We expect global economic growth will slow in 2022, while remaining healthy compared with historic levels. Supply chain disruptions, geopolitical tensions and the threat of more persistent inflation will ensure uncertainty remains high. After slumping 15% in 2020, then rebounding more than 50% in 2021, corporate earnings growth will moderate to more normal levels this year, at around 7-8%. On the back of the higher inflationary pressures we are seeing, central banks will be forced to act more aggressively, which will see the monetary stimulus of the pandemic era reduced more quickly than previously thought.

Portfolio valuation and performance

Net contributions have been \$3.4m.

Portfolio Value (10 February 2022)	\$3,355,247
Forecast Income Yield	2.2% or approximately \$73,200
Portfolio Performance for 1 year	NA
Portfolio Performance since inception (29/10/21) p.a.	(1.0)%



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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	15	25	15	35
Australian Equities	16	22	12	32
Global Equities	21	28	18	38
Property	0	0	0	8
Total Growth Assets	52	75		
Fixed Interest	45	22	12	32
Cash	3	3	0	30
Total Income Assets	48	25		

Fixed Interest

Interest rates rose amidst further signs of inflation and growing speculation of a more aggressive central bank response. The US two-year Treasury yield surged from 0.73% to 1.18%, while the 10-year yield increased from 1.51% to 1.78%. Domestically, the five-year swap rate increased from 2.55% to 2.78%.

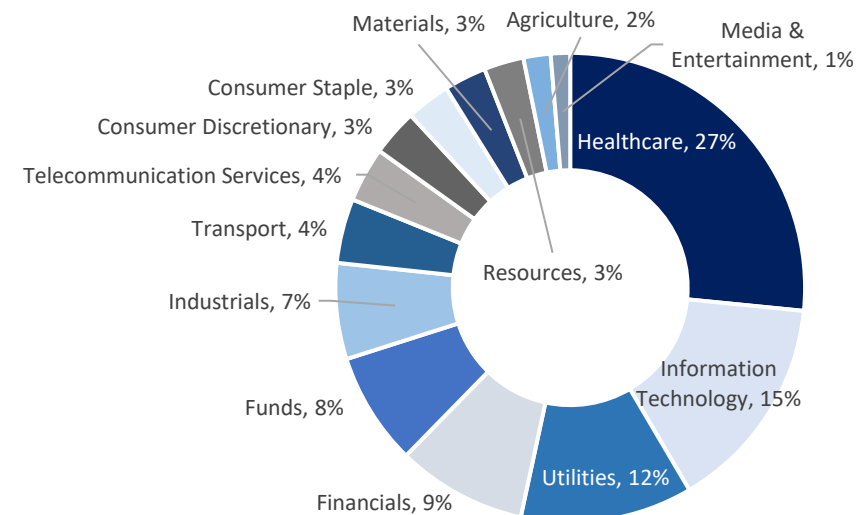
The next RBNZ meeting is scheduled for 23 February, and we are likely to see the OCR increase by another 0.25%. Financial markets currently see the OCR finishing the year at 2.50%.

The NZ S&P/NZX corporate bond total return index is down 0.4% in 2022, and at its lowest point was 5.1% below the 2021/22 peak. This compares favourably with the performance of equity markets, with the NZX 50 down 5.8% so far in 2022 and 12.6% down from the peak at its weakest point. We have seen similar moves in the US.

Top Ten Equity Holdings

Top Ten Equity Holdings	% of Equity Portfolio	% of Total Portfolio
Ebos	2.7%	1.4%
Macquarie Group	2.7%	1.4%
Mainfreight	2.3%	1.2%
Ryman	2.3%	1.2%
Ramsay Healthcare	2.3%	1.2%
Summerset	2.3%	1.2%
CSL	2.2%	1.1%
Cleanaway	2.1%	1.1%
Infratil	2.1%	1.1%
Telstra	2.1%	1.1%
Total % of Equity Portfolio	23.2%	12.2%

Equity Sector Allocation

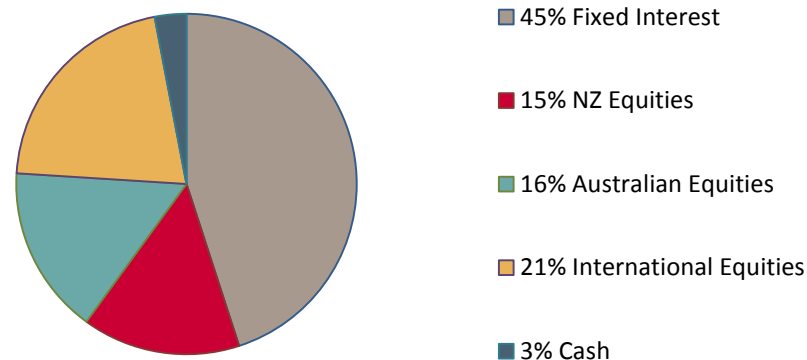


Portfolio Summary

ASSET SUMMARY Based On Holdings At: 10/02/2022

Asset Class	Market Value \$	Pct Assets %
SUPERVISED ASSETS		
Fixed Interest	1,482,751	44.2%
Equities	1,775,005	52.9%
Cash	89,913	2.7%
Accrued Interest	7,578	0.2%
TOTAL SUPERVISED ASSETS	3,355,247	100.0%
TOTAL PORTFOLIO	3,355,247	100.0%

ASSET ALLOCATION



ESTIMATED ANNUAL INCOME (GROSS) Based On Holdings At: 10/02/2022

Asset Class	Annual Income	Income as % of Current MV
SUPERVISED ASSETS		
Cash	2,333	2.59
Equities	38,572	2.17
Fixed Interest	32,292	2.18
TOTAL SUPERVISED ASSETS	73,198	2.19
TOTAL PORTFOLIO	73,198	2.19

COMPARISON WITH TARGET

