

Ranfurlly Superannuation Scheme – Member Update

3 February 2022

For global equity markets, 2022 has been one of the most volatile starts to a year on record. At one point in January the NASDAQ Composite was down 17% from its November high before recovering in the last few days.

Following the onset of Covid 19 in February 2020, and the initial impact on global financial markets, there has been a period of strong market growth, fuelled by central government's fiscal policies and investors seeking improved returns after countries central banks took interest rates to near 0% and, in some countries, even below zero. From late 2020 and throughout 2021 the global market growth was interrupted by periods of volatility stemming from concern over Chinese regulation, the possibility and occurrence of new lockdowns and new strains of Covid 19. More recently the reduction in fiscal easing, increasing inflation, the prospect of rising interest rates, rising petrol prices and employee shortages have made investors nervous.

Baillie Gifford, the underlying Investment Manager of the Ranfurlly Superannuation Scheme, predominantly follows a growth-oriented style of investing; analysing and investing in a globally diverse range of growth companies. A growth stock is any share in a company that is anticipated to grow at a rate significantly above average for the market. Growth stocks are often tech companies or companies taking advantage of modern ways of doing business. Growth investing prospered during 2020 as a number of the structural trends that were already underway were accelerated by the onset of the pandemic. Companies such as Amazon and Shopify, for example, benefitted from more shoppers moving online; Moderna benefitted as one of the first to develop an effective coronavirus vaccine; Netflix benefitted as home entertainment saw greater adoption, and Zoom benefitted as more business meetings switched from 'in person' to online.

2021 was less supportive of a growth-oriented style of investing, as investors' attention switched from 'pandemic beneficiaries' to companies thought likely to benefit from the easing of pandemic restrictions. Growth stocks, despite continuing to deliver strong operational performance in most cases, were largely ignored by the market in favour of these recovery plays.

2020 produced very strong returns for the Ranfurlly Superannuation Scheme funds and the weaker subsequent performance in 2021 should be viewed in that context (see the table below). As mentioned earlier, there has been high levels of market volatility this year. The market volatility stepped up in September 2021 and has resulted in significant market decreases in January 2022. The Ranfurlly funds exposure to the USA and NASDAQ tech stocks has impacted returns in January 2022. The NASDAQ and other global markets have rebounded in the last few days and this has resulted in a circa 4.0% recovery in the Ranfurlly balanced funds and 5.8% recovery in the growth fund.

Fund	2019	2020	2021	2022 YTD	Inception
New Zealand Dollar Conservative Fund	4.06% ¹	13.74%	-2.29%	-6.50%	8.13%
New Zealand Dollar Balanced Fund	19.61%	25.08%	-0.28%	-10.06%	29.22%
Sterling Conservative Fund	14.05%	19.17%	-1.03%	-7.88%	20.53%
Sterling Balanced Fund	18.18%	29.38%	0.86%	-11.31%	38.29%
Sterling Growth Fund	14.27% ²	37.16%	3.49%	-14.43%	38.80%

Note ¹ The fund was first invested 18 October 2019

Note ² The fund was first invested on 1 March 2019

Note³ Returns are after expenses but before tax

Past performance is no guarantee of future performance

Periods of volatility can be unsettling for members and whilst it is not possible to predict how the markets will react in the short term, we encourage you to consider the long-term nature of your pension investment, to view performance over the long term and not make any reactionary decisions. In light of higher inflation and the potential for interest rate hikes, Baillie Gifford have reviewed their portfolio, seeking to ensure that the companies in their funds have pricing power to support continual growth and to what extent balance sheets are vulnerable to rising rates. While there may be periods of poor performance, over the longer term, we believe investing in quality growth stocks will lead to good returns for members.

Rest assured Ranfurly and the underlying Investment Manager remain committed to producing the best possible outcomes for members over the long term.

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For more information about the Scheme, please visit www.ranfurlysuperannuation.nz, contact us on +64 3 928 1440 or talk to your adviser today. A disclosure statement is available from our website or on request and free of charge.