

# Market and Economic Review

## January 2022



### A wider perspective

Fund returns in December were strong as local and global share markets shrugged off the threat of the latest 'Omicron' Covid wave.

Looking back on 2021, fund returns have been driven by two key factors. Firstly, global bond markets have had a tough year as inflation has soared, sending government bond prices lower. Our funds have taken measures to mitigate against these moves but a falling bond market is a significant headwind for lower risk funds that predominantly invest in these assets.

Secondly, share market returns have been dominated by the moves of a small number of stocks. This has been particularly stark in the US with strong performance of large technology companies - Google and Microsoft delivered returns of 65% and 53% respectively in 2021. These stocks, alongside healthcare services provider HCA (+58%) were notable performers for Milford funds last year. In Australia some banks had a good year - National Australia Bank returned 36% and Virgin Money UK returned 32%. Telstra (+50%) and some property companies also performed well for our funds.

December share market performance shows investors are willing to look past new Covid waves. This is a reflection of the strong economic momentum and very low levels of interest rates around the world, encouraging investors to chase share market returns.

New Zealand's share market posted a solid 2.5% gain in December, but the index ended 2021 down 0.4%, partly due to rising local interest rates. Australia's ASX 200 delivered 2.8% in December with 2021 returns of 17.2%. Notably, the RBA has been steadfastly refusing to signal rate hikes. NZ's experience this year may be a taste of what's to come for international investors in 2022, given the expectation that global central banks will start to lift interest rates from record low settings.

2022 is likely to see a lower rate of return on all assets, alongside a greater degree of volatility - both up and down. However, we expect to see continued opportunities to move portfolios around, finding more attractively valued companies that can benefit from the underlying economic strength.

---

#### Milford Asset Management

Level 28, 48 Shortland Street, Auckland, 1010  
Phone: 0800 662 345  
Email: [Info@milfordasset.com](mailto:Info@milfordasset.com)  
[milfordasset.com](http://milfordasset.com)



**MILFORD**  
INVESTED IN YOU