# Market and Economic Review
## May 2022

## A perfect storm

It's been a brutal start to 2022 for investors. Global shares are down nearly 14% at the end of April, marginally worse than they fared over the same period in 2020 when the Covid pandemic first emerged. Meanwhile, global bonds have fallen over 10% in their worst start to a year for decades. Our funds, that invest primarily in these assets, have delivered negative returns year to date as we have been buffeted by the headwinds. It's not pleasant to see savings moving backwards, but the backdrop has provided plenty of opportunity to actively manage our funds to avoid some of the worst losses and deliver better outcomes than those headline asset returns suggest.

The sharp falls in share markets in April meant there were few places to hide. Large holdings of cash have helped cushion funds from losses. Large exposure to Australian shares has also helped, the ASX 200 was down less than a percent in April, compared to global shares that fell 6.9%. Larger weights of banks and resource companies in the Australian market have fared better than the high growth companies that populate global indices.

Stock positioning has helped too across all regions. In Australia for example we have had increased exposure to supermarkets (Woolworths was up 3.4%) and energy companies (Santos was up 3.4%). NZ shares continue to fall, but our investments in Spark paid off as the company's shares rallied 7.4% last month. On the global side, Italian infrastructure company Atlantia benefitted from takeover talks, sending the stock up 20.8%. Recent addition Shell Energy also fared well, up 3.1%.

Looking ahead, the outlook remains highly uncertain. High inflation and tighter monetary policy are significant headwinds for growth and company profits. Uncertainty over the outlook for growth means we should continue to experience higher volatility in markets over the rest of this year. For the longer term, prospects are improving. The valuations of shares are now generally more moderate, having fallen from some expensive levels. The fall in bond prices mean that yields are looking more attractive too, particularly in New Zealand. We are retaining a broadly defensive position across our funds, whilst continuing to find attractively valued companies to invest in.

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