Where to now?

The webinar will begin shortly

Russell Investments

New Zealand Investment Forum

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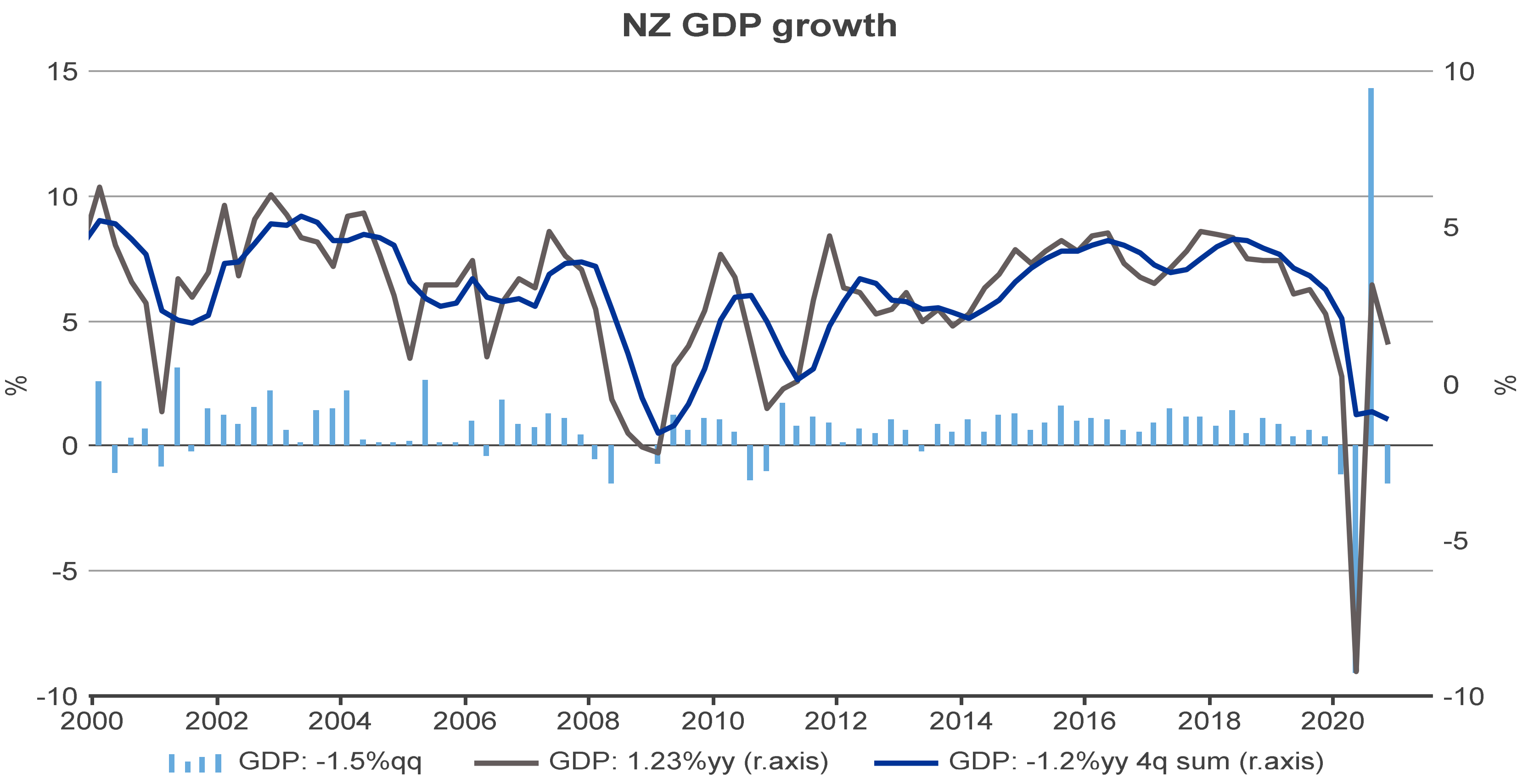
The drawdown in New Zealand was contained relative to other markets

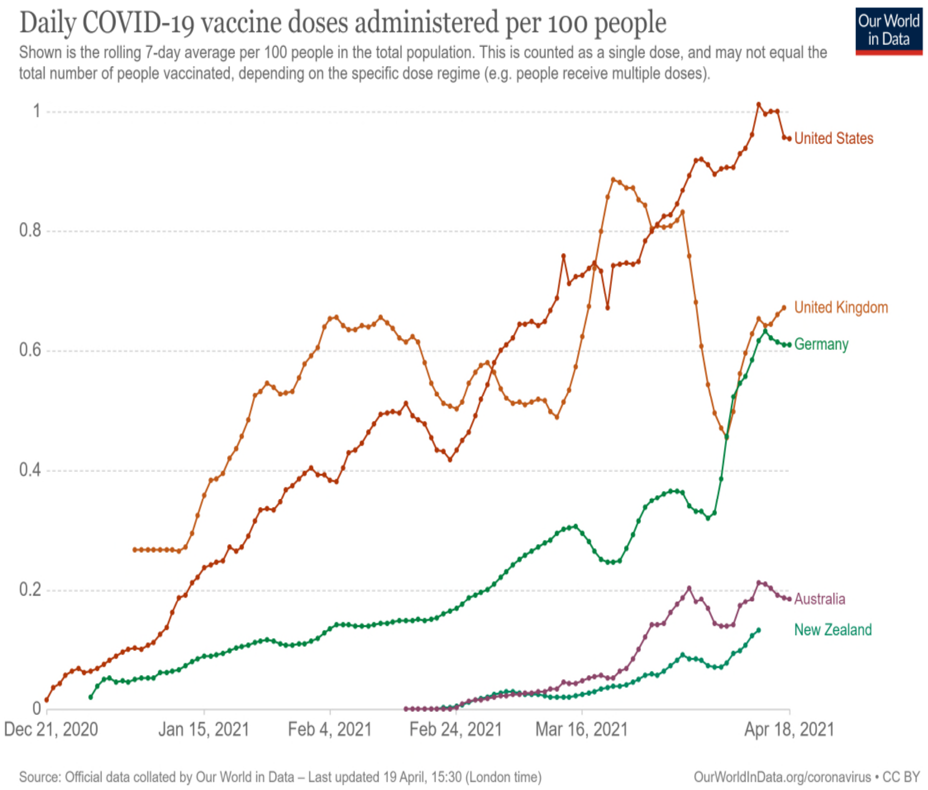
Island living has its advantages

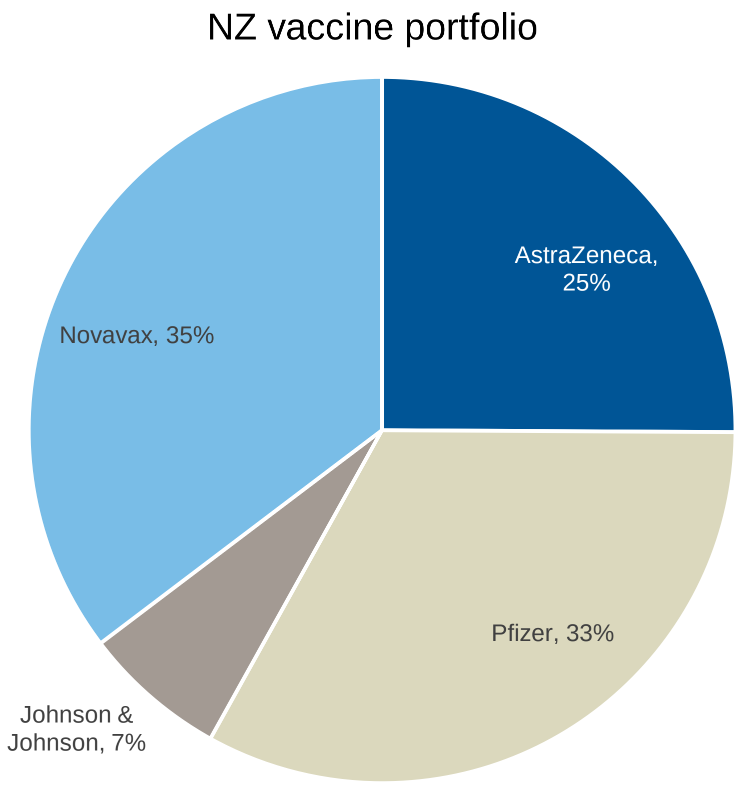


Source: Refinity Datastream 4/20/2021

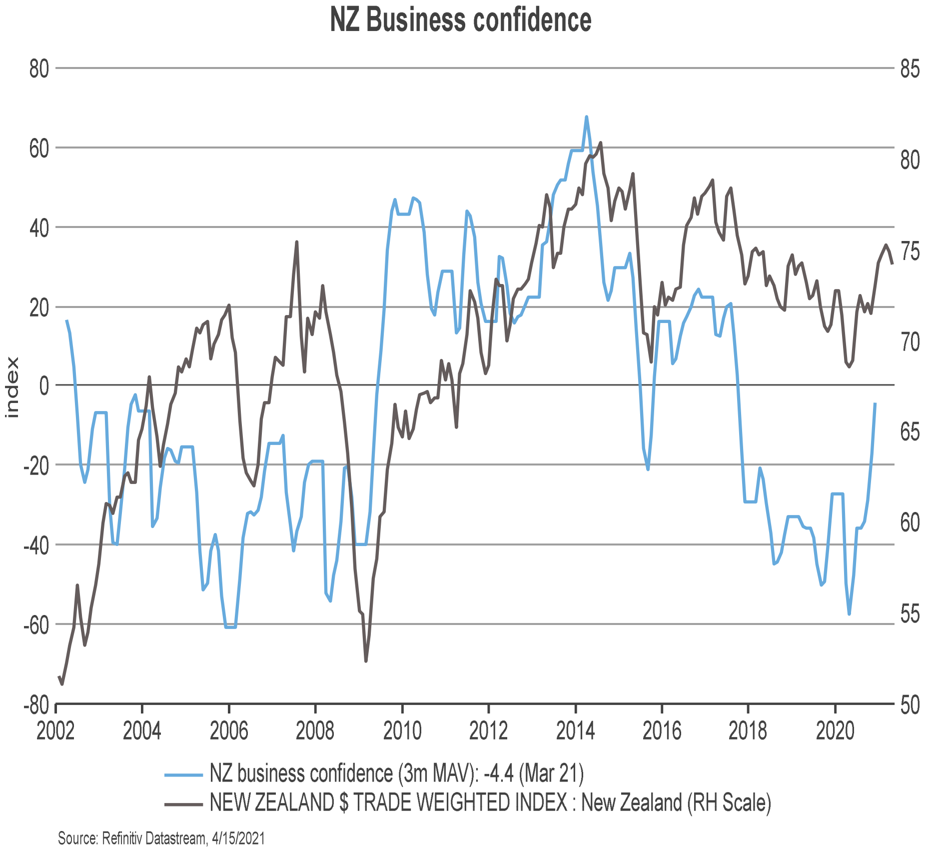
Vaccine roll-out will pick up speed

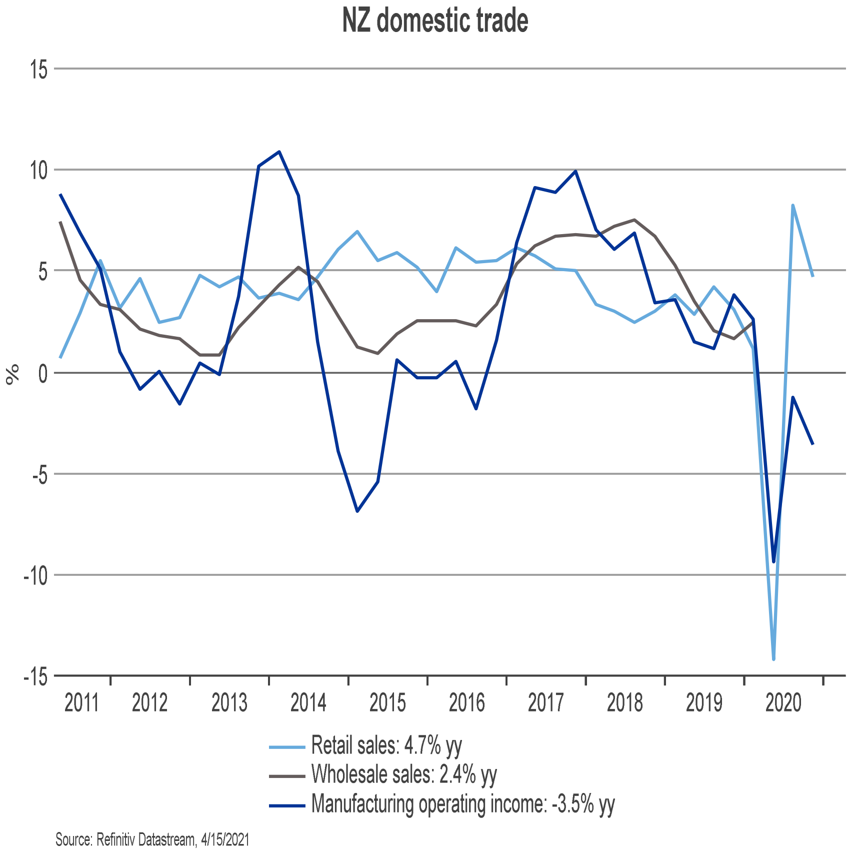
Vaccine portfolio is focused on Pfizer and Novavax



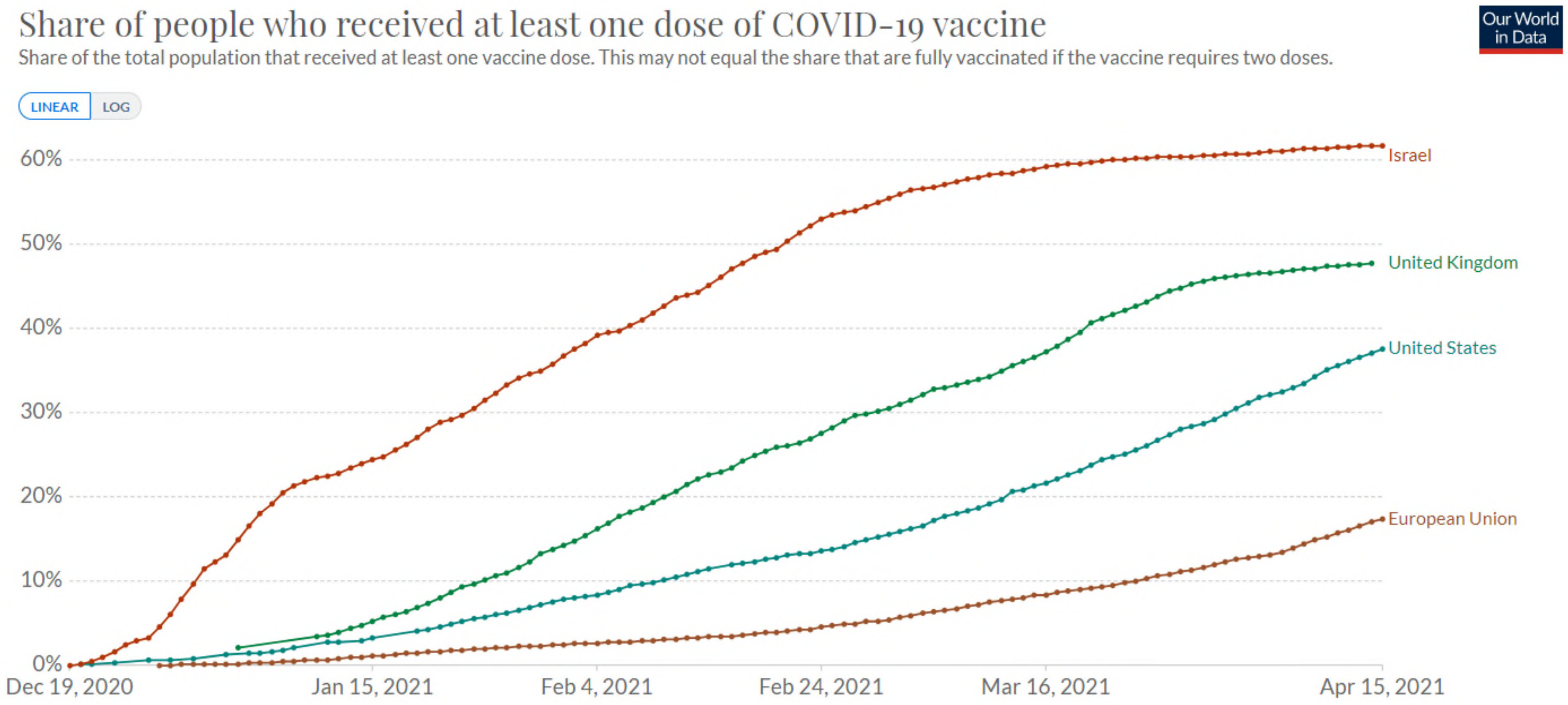


Business confidence has continued to push higher



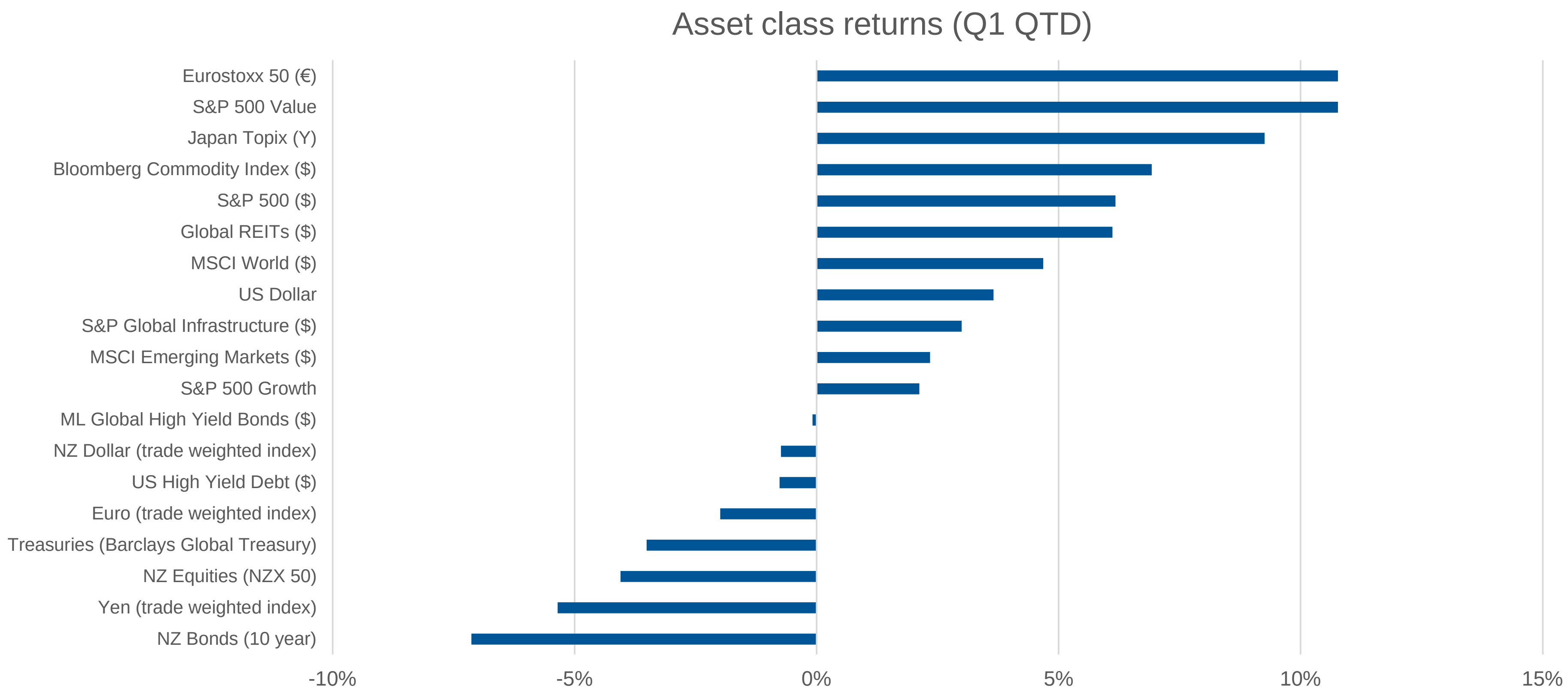


The US & UK have a head start on vaccines



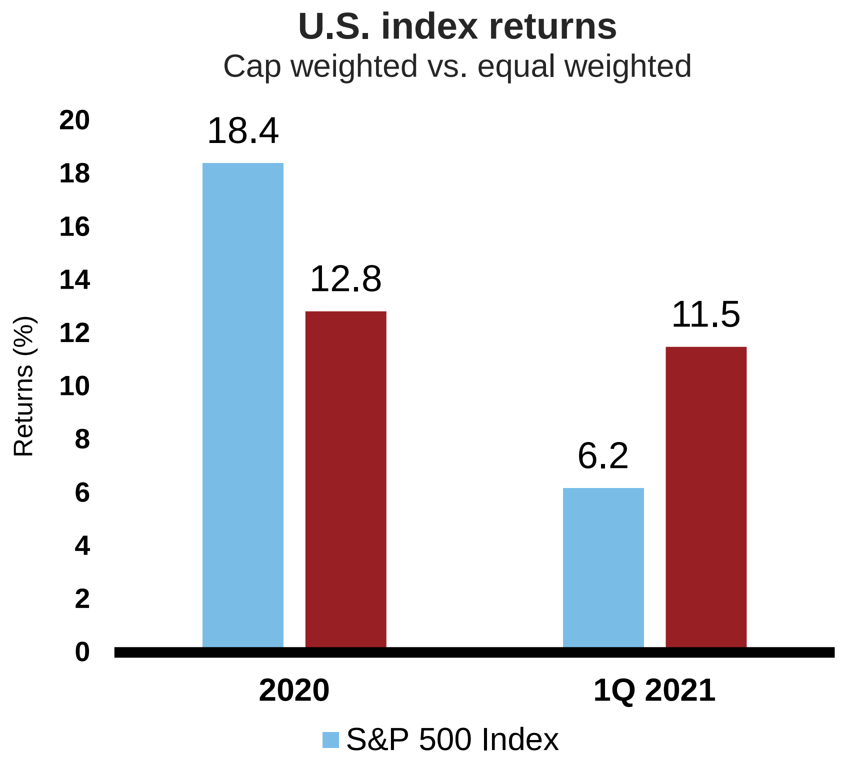
Source: https://ourworldindata.org, last observation 15 April 2021

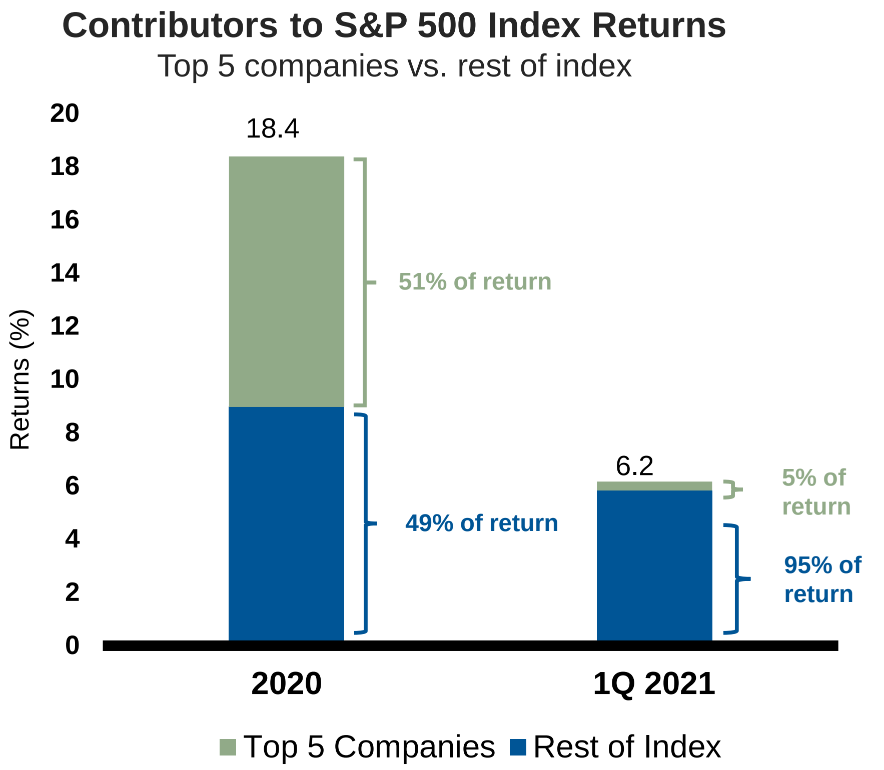
New Zealand asset class performance



Widening market leadership

Returns in 2021 not just coming from the top





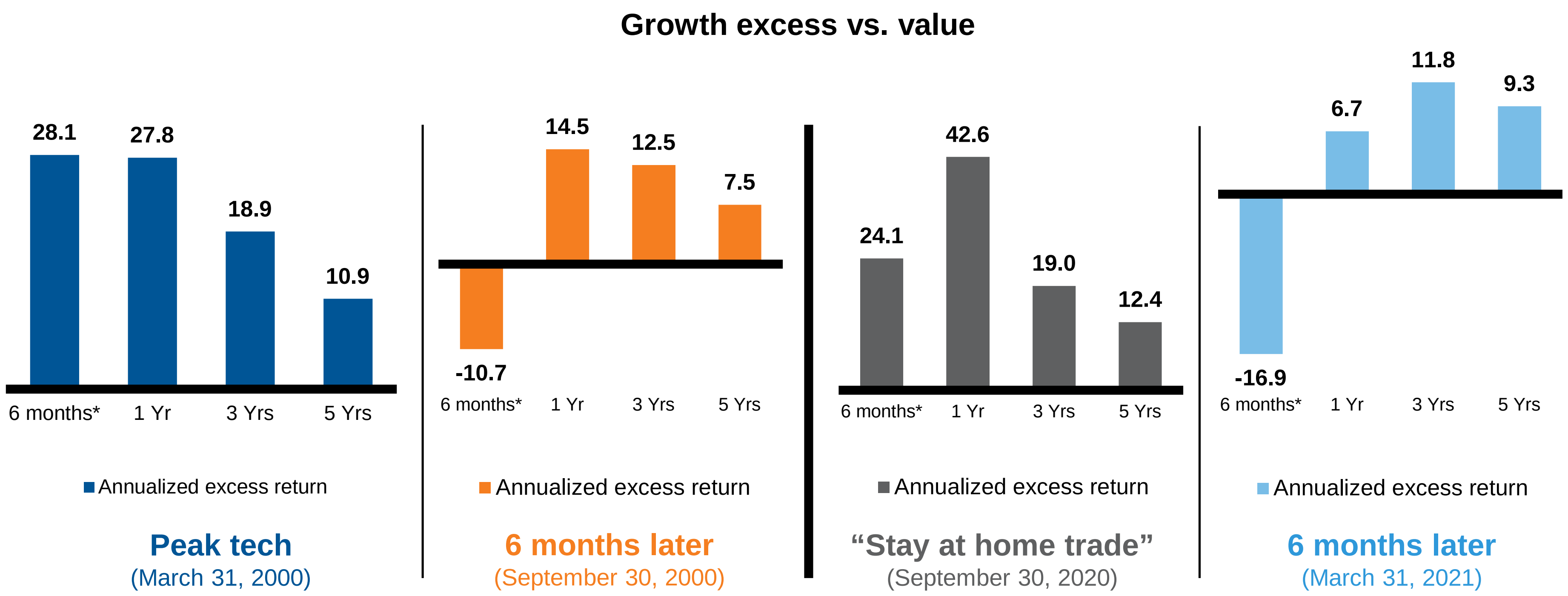
> U.S. equity returns in 2020 were mostly driven by performance from a handful of large stocks

> As the economy has continued to recover recent gains have been broader

Source: Morningstar and Russell Investments. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

A turning point in growth vs. value?

Value beats growth in back-to-back quarters



> The six-month reversal in growth and value has been more dramatic than the early 2000's Tech correction
> Value went on to post historically strong relative results in the years that followed

*6 months time period represents cumulative total returns. Remaining time periods are annualised.
Source: Morningstar Direct. Growth: Russell 1000 Growth Index; Value: Russell 1000 Value Index. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

Russell Investments' global market outlook

United States

- Primed for supercharged growth
- Pent-up demand to drive strong bounce in service sectors
- GDP growth of 7% looks possible
- Expect Fed to keep benchmark rate at zero until late 2023 / early 2024
- Broad-based inflation not expected to take hold until 2023

Eurozone

- After slow start, vaccine roll-out gaining pace leading to economic reopening by Q3
- Financials and cyclical stock sectors will benefit from increasing economic activity and steepening yield curve

Asia - Pacific

- Japan likely to lag in recovery due to slower vaccine approval and rollout
- Expect Chinese economic growth to be strong, boosted by global economic recovery
- Australia and New Zealand GDP growth looks to be lower than most developed nations due to smaller 2020 drawdown

ASSET CLASS	PREFERENCE
Global equities:	Prefer non-U.S. equities due to cyclical sector composition. Emerging markets should benefit from China's early recovery and a weaker U.S. dollar.
Fixed income:	Government bonds are expensive. High-yield and investment grade credit are slightly expensive but have attractive post-vaccine cycle outlook.
Real assets:	Should benefit from global recovery after heavy pandemic sell-off created value opportunities.
Currencies:	Weaker U.S. dollar / economically sensitive commodity currencies should do well.

As of 3/29/21. Forecasting represents predictions of market prices and/or volume patterns utilising varying analytical data. It is not representative of a projection of the stock market, or of any specific investment. There is no guarantee the stated expectations will be met.

Economic scenarios

Vaccine success drives the bull scenario

Bull (40%)

Strong recovery as lockdowns are eased after the vaccine becomes available. Spare capacity keeps inflation low and central banks on hold.

Neutral (50%)

Recovery slows in 2022 after initial rebound. Corporate stress, consumer caution and fiscal drag are headwinds.

Bear (10%)

Vaccine proves less effective against variants than anticipated. Issues with distribution. Sluggish rebound on economic scarring from lockdowns.

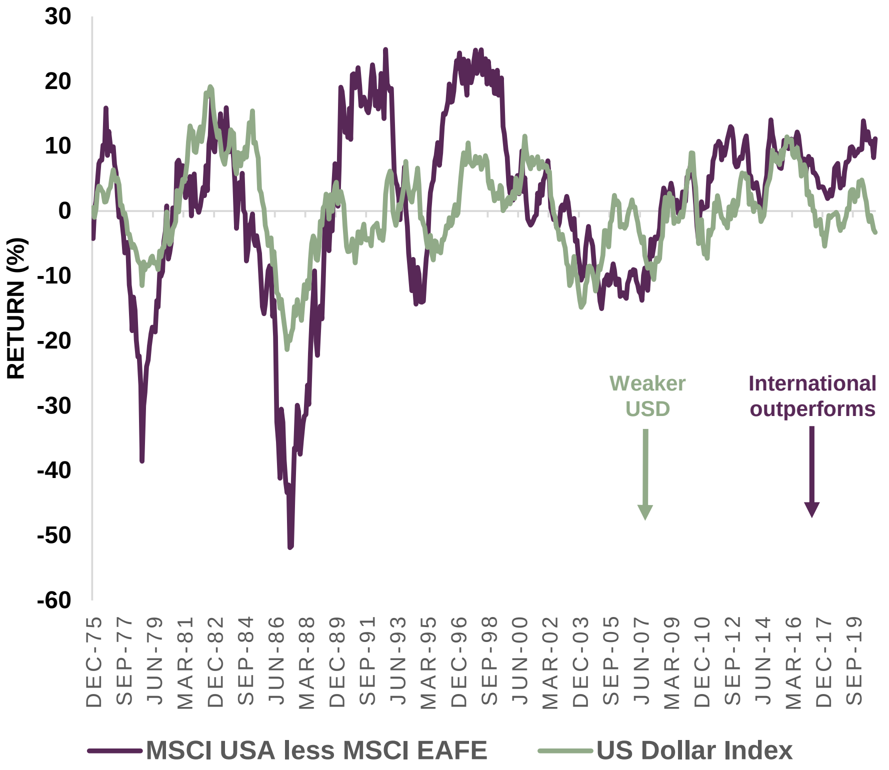
Source: Russell Investments, for illustrative purposes only.

The US Dollar and US vs International

Rising US deficits + rebounding global growth backs international

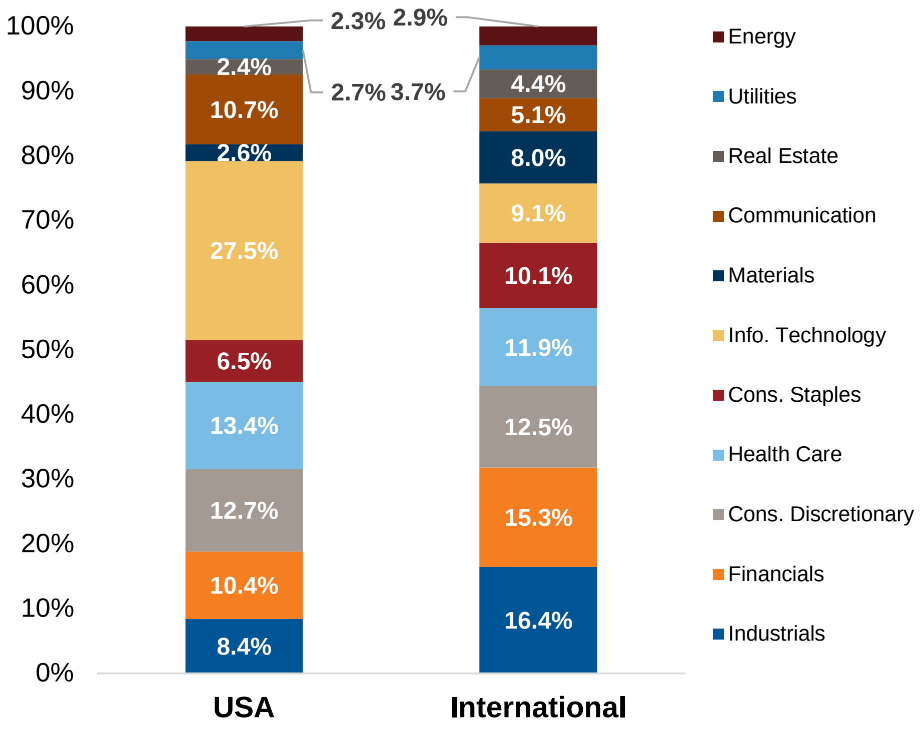
Weaker USD = International outperformance

US DOLLAR VS. US-EAFE RELATIVE RETURN



International = more cyclical exposure

SECTOR ALLOCATION
USA vs INTERNATIONAL



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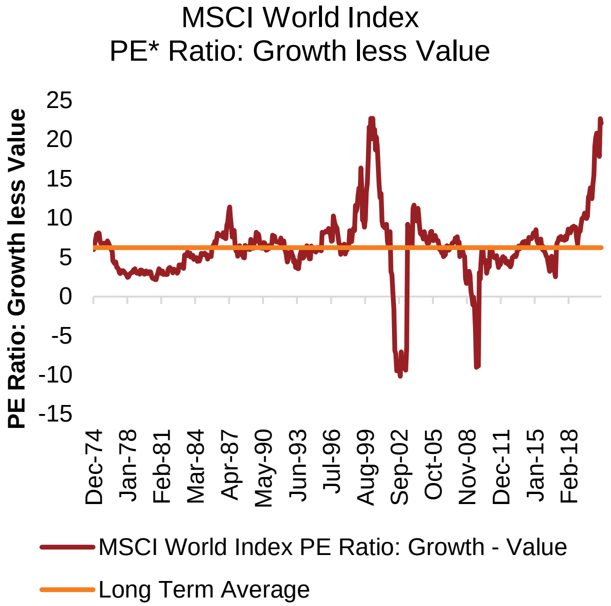
Source: Left Chart: Refinitiv DataStream, Russell Investments, as of December 2020.
Right Chart: iShares. USA = S&P 500 Index, International = MSCI EAFE Index. Based on respective iShares ETF allocation as of 1/31/2021. Indexes are unmanaged and cannot be invested in directly. Past performance is not indicative of future results..

The cycle is supportive for Value

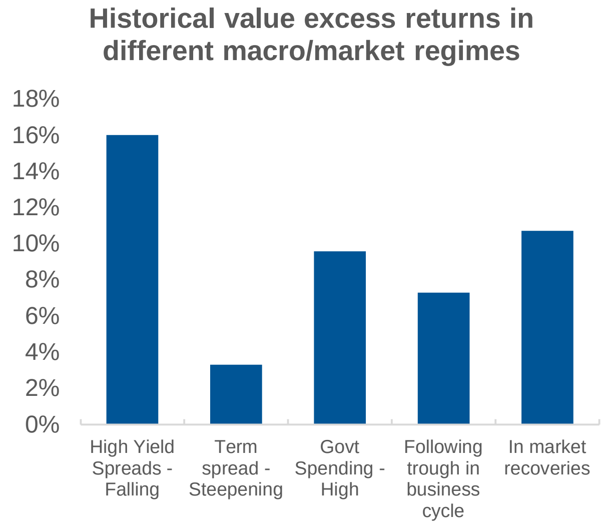
Improving global growth + early recovery dynamics support value

Growth factor = expensive



Improving global growth = Value

Business cycle fundamentals = Value



Source (from left to right):
Chart 1: Refinitiv DataStream, Russell Investments, as of December 2020.
Chart 2: Russell Investments calculations. Based on HML factor data from Kenneth French from 1926 to 2020. OECD = Organisation for Economic Co-operation and Development.
Chart 3: Refinitiv DataStream, Russell Investments, as of December 2020. *PE = Price to Earnings
Indexes are unmanaged and cannot be invested in directly. Past performance is not indicative of future results.

Equity markets

The early cycle is a powerful force

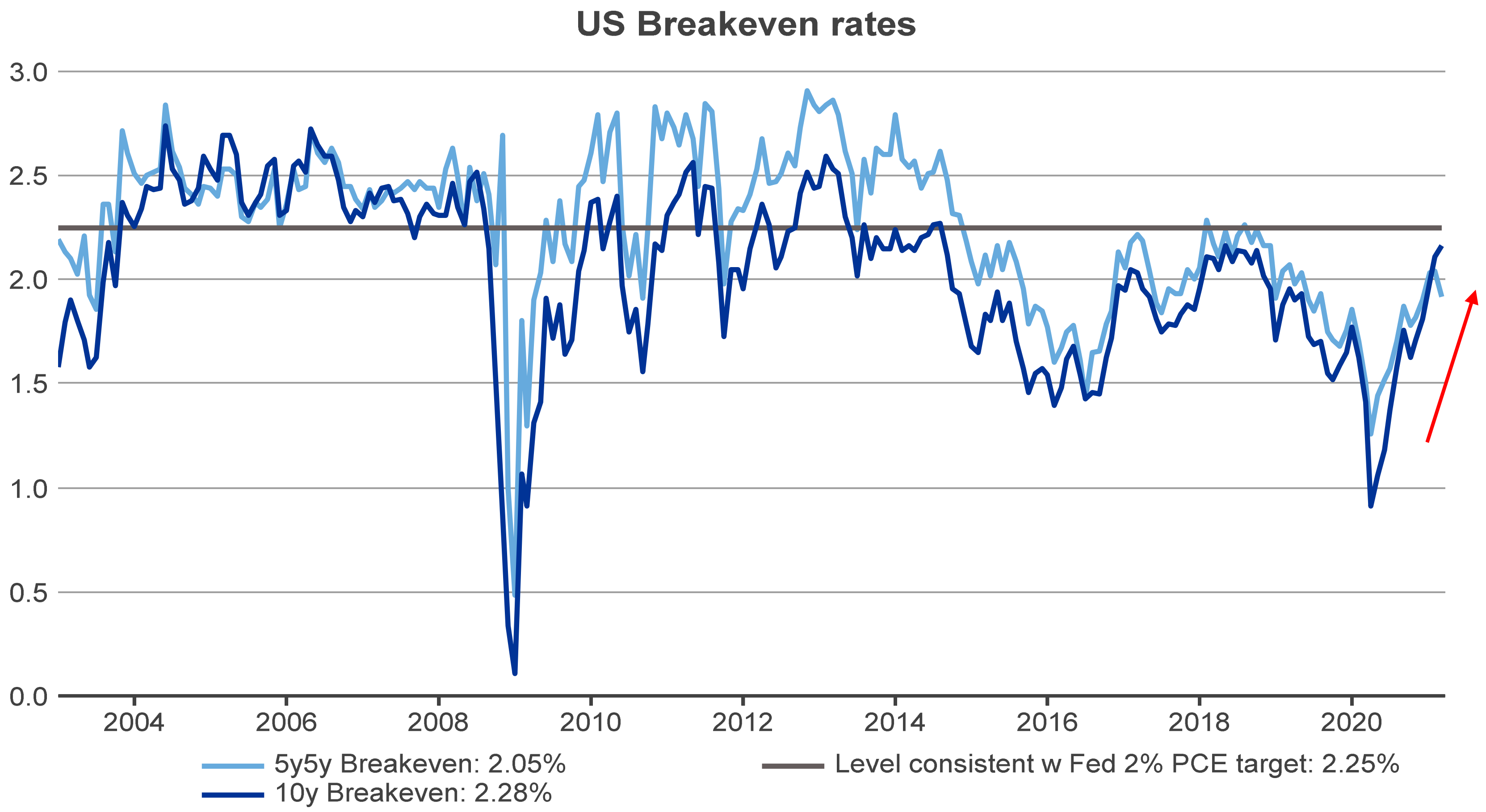
	US	Eurozone	Emerging
Cycle	Positive	Positive	Positive
Valuation	Expensive	Slightly expensive	Modestly expensive
Sentiment	Positive	Positive	Positive

Preferences:

> Underweight US equities

The US often exports inflation

The recent rise in rates was the market adjusting unreasonable expectations



Source: Refinitiv Datastream, 3/11/2021

Yields should be range-bound tactically

Risks are fairly balanced around current 10yr levels

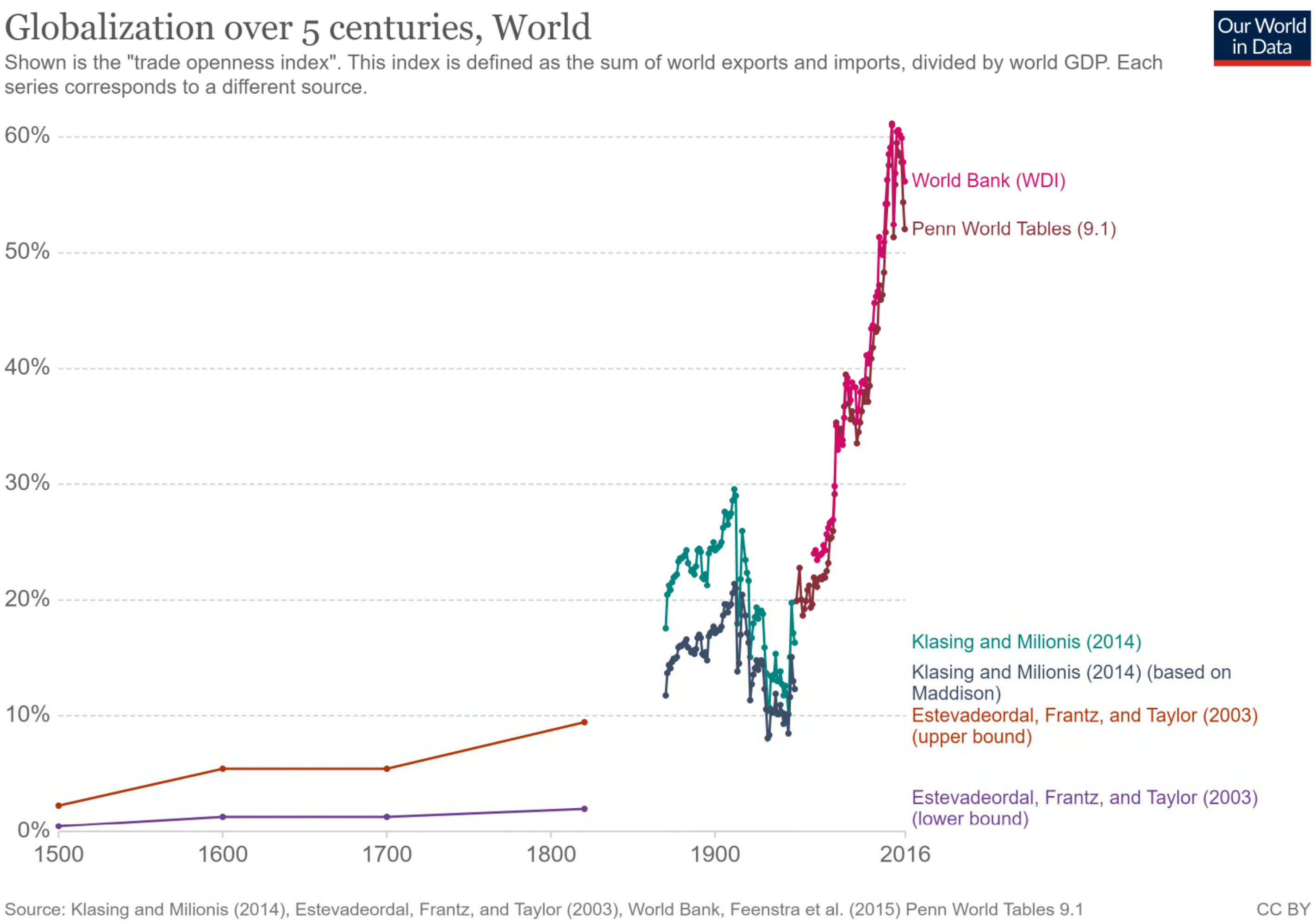
	SCENARIO	FED	10YR	SLOPE
40%	Bull	13bp	180bp	167bp
50%	Neutral	13bp	125bp	112bp
10%	Bear	13bp	25bp	12bp
	Blended	**13bp**	**137bp**	**124bp**
	Current	13bp	164bp	151bp

-27bp

Source: Thomson Reuters Datastream, Russell Investments forecasts as of March 12th 2021.

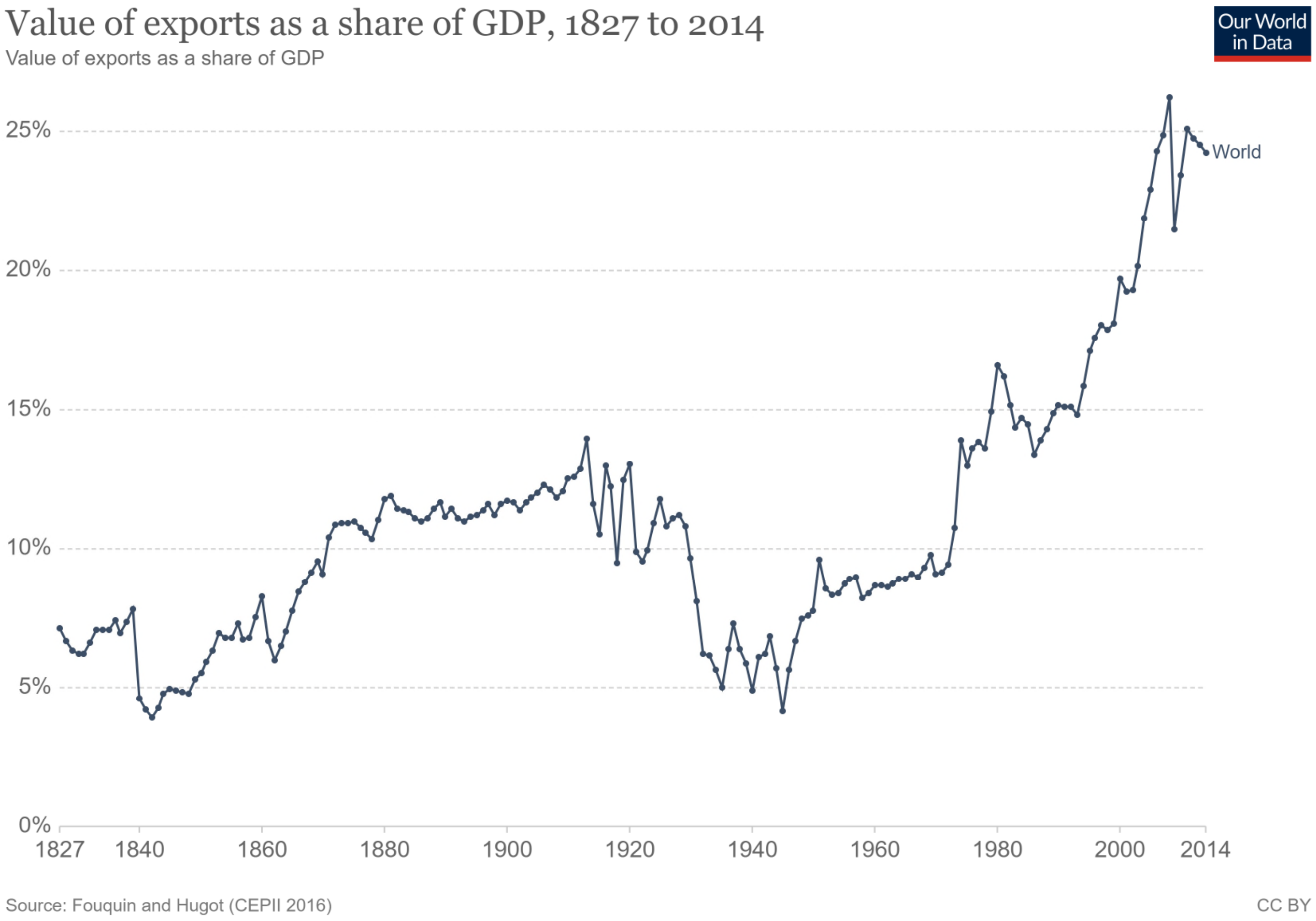
The pandemic didn't kill globalism

But perhaps it was another nail in the coffin



Trade has not been growing as quickly

Trade tensions will likely escalate as the pie grows more slowly



The friction US/China friction isn't going away

History shows that the two biggest world economies don't get along

Summary

Risks remain but 2021 is very likely going to be a good year

> The economic cycle is young
> Massive stimulus has yet to fully hit the system
> Financial assets are not cheap
> The best opportunity looks to be value
> Inflation is not likely to be a 2021 problem
> Globalisation has been waning
> China tension here to stay for some time
> When uncertainty is present, diversification rules

Thank you.

Any questions?

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