



Methodist Trust Association

21 April 2021

Dear Depositor

DISTRIBUTION RATES

The Methodist Trust Association is pleased to advise the distribution rates for its Income and Growth & Income Funds for the quarter ended 31 March 2021.

The Distribution Rates are:

	Mar 2021	Dec 2020	Sep 2020	Jun 2020	12 Month Average Return
Income Fund	3.83%	3.59%	3.50%	4.50%	3.86%
Growth & Income Fund	2.74%	2.27%	2.27%	1.94%	2.31%

Income distributions for the quarter totalled \$2,288,071.

PAYMENT OF DISTRIBUTIONS

Income distributions by direct credit will be made into depositors' accounts on Friday 23 April 2021.

INVESTING IN THE MTA FUNDS

An investment with MTA is an investment into one of MTA's two diversified investment funds. Both investment funds are managed in accordance with the Church's responsible investment policy.

Income Fund

The Income Fund's objective is to provide income returns that are superior to those available in the general market, while also maintaining very low risk levels.

The Income Fund's investment portfolio currently consists of cash investments (4%), well secured loans to Methodist Church entities (17%), a high yielding direct property investment (10%) and a well-diversified portfolio of bonds (69%) issued by local government, airports, electricity generators, transmission companies, large corporates, State Owned Enterprises, as well as leading Australasian banks. In total the bond portfolio currently has exposures with 26 different entities, in 12 industries, providing a high level of diversification.

Growth & Income Fund

The Growth & Income Fund's objective is to provide superior longer-term returns, with greater focus on long-term capital growth and less focus on short-term income. To achieve superior long-term returns this fund takes on higher risks. There is risk of capital loss, particularly over shorter periods (less than 3 years).

New or additional deposits in either fund are welcomed from any Church group, responsible in whole or in part to the Conference of the Methodist Church of New Zealand. Deposits cannot be accepted from any other group or from any individual.

For the Growth & Income Fund only, a withdrawal policy applies:

When a depositor wishes to withdraw their total Growth & Income Fund deposit during the financial year, 10% of that deposit will be retained until after the financial year end at 30 June. This will ensure that the depositor participates in the capital allocation at the end of the year, whether it is a capital accretion or a capital decrease. After the capital distribution has been done at year-end, those depositors can close their deposit and receive the balance of their account.

INCOME FUND

The Income Fund's annualised income distribution rate for the March quarter is 3.83%. The Income Fund benefited from an unexpected profit distribution from an investment fund that the Income Fund owns. In the current low interest rate environment, we consider this a very good result.

We have raised the forecast for the income distribution rate for the June 2021 financial year to be approximately 3.50%.

For the June 2022 financial year we forecast the distribution rate to be approximately 2.90%.

We have maintained the high quality of bonds in the portfolio. Holdings in bonds rated BBB+ or higher represented 70% of the portfolio at 31 March 2021.

During the quarter the S&P rating for NZ was increased to AAA, consequently raising the ratings for Housing Corporation and the Local Government Funding Authority, resulting in the portfolio having 20% in AAA rated bonds.

The Association believes that the distribution rates for the Income Fund are very good, given the low-risk nature of this fund.

The Income Fund continues to produce significantly higher returns than are available through bank deposits. The current BNZ three and twelve month term deposit rates remain at 0.35% and 0.80% respectively. Unlike bank term deposits, the MTA Income Fund deposits are not locked in for any term. They can be withdrawn at any time, with no penalty.

GROWTH & INCOME FUND

The annualised income distribution rate for the Growth & Income Fund is 2.74% for the quarter.

The lower distribution rates for the Growth and Income Fund reflect the different objectives for this fund, which is primarily focused on long-term capital growth. Investment opportunities over the quarter have continued to favour international equities, where the income from dividends is lower than the income yields of other asset sectors. Over the longer term this approach is expected to produce higher total returns through capital growth, but result in a lower income component within the total return.

The fund's equity portfolio remains overweight in both quality and growth exposures, with investments held primarily in companies positioned to benefit from longer-term structural changes, that also have strong earnings growth, strong balance sheets and high returns on their capital employed.

The Growth & Income Fund's equity portfolio gained 6.4% during the quarter and has now gained 28.9% for the financial year-to-date since June 2020. All gains will be distributed in the June 2021 capital distribution for this fund.

The Growth & Income Fund's investment portfolio is well diversified both geographically and by business sector. There were only minor changes to asset allocation since December, with total equity exposure increasing to 50% of the portfolio (benchmark 35%) due to the strong investment returns,

while cash reduced to 2% (benchmark 5%). Property 28% (benchmark 35%) and fixed interest at 20% (benchmark 25%) were little changed.

The Fund's largest equity holdings at 31 March 2021 and their respective March quarter returns are listed below.

Top 10 Equity Holdings

Name	Industry	Weight*	Quarter Performance
NICE	Software & Services	7.7%	-20.9%
Applied Materials	Semiconductors & Semiconductor	7.6%	59.4%
New York Times	Media & Entertainment	6.0%	0.6%
General Motors	Automobiles & Components	5.9%	41.8%
MongoDB Inc	Software & Services	5.5%	-23.4%
PTC Inc	Software & Services	5.1%	18.4%
Palo Alto Networks	Software & Services	5.0%	-6.8%
Manhattan Associates	Software & Services	3.6%	14.8%
Comvita	Household & Personal Products	3.4%	-0.3%
Volkswagen Preferred S	Automobiles & Components	2.9%	54.6%

* Weight relates to the weighting in the listed equity portfolio, which was 47.6 % of the Fund at 31 March 2021

MARKETS

The major central banks continued to support economies. The only change in central bank deposit rates during the quarter for a major economy was a 0.40% cut by Denmark, reducing their rate to -0.35%.

Governments and Central Banks continue to support economies with stimulus packages, including the \$1.9 trillion US Covid-19 Relief Bill.

Major economy 10-year bond yields increased significantly in all major economies during the quarter. The 10-year yield increased from 0.91% to 1.74% in USA; from 0.021% to 0.095% in Japan; from 0.97% to 1.79% in Australia; and from -0.57% to -0.29% in Europe.

In New Zealand, bond yields also increased significantly. The yield on New Zealand 5-year Government bonds increased from 0.39% in December to finish the quarter at 0.97%, while the 10-year bond increased from 0.99% to finish the quarter at 1.81%.

In Resources, oil prices using the West Texas Intermediate crude price gained 21.5%. Base metal prices were all stronger with iron ore (+0.9%), the Steel Price Index (+12.0%), copper (+13.1%), zinc (+2.5%) and aluminium (+11.7%). Precious metals were mixed, gold (-10.0%), silver (-7.5%) and platinum (+10.8%). Agricultural commodities were mainly stronger, with corn (+14%), wheat (-2%) and soybeans (+10%).

Currency movements were mixed, with the NZ dollar dropping 2.8% against the US dollar, 1.5% against the Australian dollar and 3.36% against the GB pound. The NZ dollar appreciated 1.3% against the Euro and 3.6% against the Swiss Franc.

International equity markets produced strong positive returns for the quarter, with strength in traditionally cyclical sectors of the market.

The MSCI World Total Return Index gained 4.5% for the quarter.

Many investors believe in a cyclical type recovery as economies open up and get back to something more normal throughout the year. This has seen selling in companies with higher growth and in defensive sectors of the market, with buying in the more economically sensitive sectors.

Although we believe that economies are in the recovery phase, we believe the new-normal will be quite different, and there are large risks that the recovery will be slower than expected, given new Covid

variants, low vaccination rates in some areas and supply chain issues. The portfolio's investments are focussed on beneficiaries of long-term secular trends, which Covid has accelerated.

RENEWAL OF DEPOSITS

In the absence of instructions to the contrary, maturing deposits are rolled over for new terms equivalent to those expiring. Income not withdrawn is credited to capital but remains available for withdrawal upon request by the depositor.

Regards



Stephen Walker

Executive Officer

The information contained in this newsletter has been prepared from sources believed to be reliable and accurate at the time of preparation and reflects the views and opinions of the New Zealand Methodist Trust Association. This publication is provided for general information purposes only and does not purport to give investment advice. All analysis, opinions and views reflect a judgment at the date of publication and are subject to change without notice. Although the information provided in the newsletter is, to the best of our knowledge and belief correct, the New Zealand Methodist Trust Association, its trustees, officers, employees and related parties accept no liability or responsibility for any error or omission in this newsletter or for any resulting loss, damage, claim or expense suffered or incurred by any party as a result of reliance on the information provided and opinions expressed in this newsletter, except as required by law. Please also note that past performance is not necessarily a guide for future returns.