Methodist Trust Association

22 October 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 30 September 2021.

The Income Distribution Rates are:

	Sep 2021	Jun 2021	Mar 2021	Dec 2020	12 Month Average Return
Income Fund	3.47%	7.35%*	3.83%	3.59%	4.54%
Growth & Income Fund	1.90%	1.98%	2.74%	2.27%	2.22%

Income distributions for the quarter totalled **$2,101,707.**

* Included in the June quarter's distribution rate for Income Fund depositors were $1,457,794 of capital items.

PAYMENT OF DISTRIBUTIONS

Income distributions by direct credit will be made into depositors' accounts on Friday 22 October 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 (6%), well secured loans to Methodist Church entities (15%), a high yielding direct property investment (10%), a small portfolio of low risk equities (2%), international bond funds (7%) and a well-diversified portfolio of NZ bonds (60%) issued by local government, airports, electricity generators, transmission companies, large corporates, State Owned Enterprises, as well as leading Australasian banks. In total the NZ bond portfolio currently has exposures with 25 different entities, in 11 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).

For either fund, new or additional deposits are welcome 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, the following 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 September quarter is 3.47%.

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

We have maintained the high quality of NZ bonds in the portfolio. Holdings in bonds rated BBB+ or higher represented 64% of the portfolio on 30 September 2021.

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

The Income Fund continues to produce significantly higher returns than are available through bank deposits. The BNZ three and twelve-month term deposit rates are currently at 0.45% and 1.40% 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 1.90% 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 continues to be 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 has performed significantly better than the benchmark, gaining 4.8% during the September quarter and 38.7% over the last twelve months. The Growth & Income Fund has also held an overweight allocation to equities during the year, further enhancing the overall fund's returns.

The Growth & Income Fund's investment portfolio is well diversified both geographically and by business sector. The fund currently consists of equities 50% (benchmark 35%), property 29% (benchmark 35%), NZ fixed interest 14% and International bond funds 3% (total fixed interest benchmark 25%) and cash 3% (benchmark 5%).

The Fund's largest equity holdings on 30 September 2021 and their respective September quarter returns are listed below.

Top 10 Equity Holdings

Name	Industry	Weight*	Quarter Performance
NICE	Software & Services	7.5%	-0.2%
New York Times	Media & Entertainment	7.2%	-0.8%
Husqvarna	Consumer Durables & Apparel	7.1%	-8.8%
Palo Alto Networks	Software & Services	7.0%	6.1%
Applied Materials	Semiconductors & Semiconductor Equipment	6.1%	-2.7%
General Motors	Automobiles & Components	5.3%	9.6%
MongoDB Inc	Software & Services	4.9%	22.9%
PTC Inc	Software & Services	3.9%	-7.1%
Descartes Systems	Software & Services	3.8%	5.8%
Zuora Inc	Software & Services	3.7%	-0.5%

* Weight relates to the weighting in the listed equity portfolio, which was 49.1 % of the Fund at 30 September 2021

MARKETS

International equity markets were flat over the quarter, with positive returns in the Financial, Energy, Technology and Healthcare sectors of the market. Emerging markets were weak, falling 8% during the quarter, led lower by China, which fell 16%.

The MSCI World Total Return Index returned 0% for the quarter.

Currency movements were mixed, with the NZ falling 1.2% against the stronger US dollar. Against most other currencies the NZ dollar appreciated.

Most of our exposures are in US dollars, benefitting overall returns, but resulted in a hedging loss, partially offsetting the gains in the equity portfolio.

The US S&P 500 finished up 0.6% for the quarter, with mixed sector returns. The best performing sectors were Financials (+2.3%), led by the banks, Communications Services (+1.4%), Information Technology (+1.1%), and Healthcare (+1.0%). The poorest performing sectors were Industrials (-4.5%), Materials (-3.9%) and Energy (-2.8%).

Developed markets generally performed well, with Asian and emerging markets lagging. Local currency returns for other major equity indices were Euro Stoxx 600 up 0.9%; UK FTSE100 Index up 2.0%; Australian ASX 200 up 1.7%; New Zealand NZX50 up 4.9% and the Japanese Topix up 5.3%. In Australia the ASX200 Resources Index fell 9.3%, while the Industrials Index gained 4.5%. The MSCI Emerging Markets Index fell 8.1%. (*Quoted returns include income and capital gains*).

In many major economies office workers are now getting back to working in the office. Some are finding that commuting and being physically in the office no longer suits them. In the USA, where they measure workers resigning, "Quits" have increased from a pre-covid monthly rate of 2.3% of the workforce, to 2.9% in August 2021.

Finding enough workers is now a problem in many developed countries, even while unemployment remains above pre-covid levels. Shortages in available truck drivers is one of the challenges driving the prevalent supply chain issues. Goods are sitting in both ports and warehouses, both now overfilled, due to shortages in truck drivers to move the goods onward.

Supply chain issues and input cost inflation continue to challenge management teams, forcing companies to raise their prices where they can. These challenges are global and they have driven up short-term inflation, but they are transitory. Central banks won’t solve these issues by tightening monetary policy.

Major economy 10-year bond yields were little changed during the quarter. The 10-year yield increased from 1.47% to 1.49% in USA; from 0.058% to 0.072% in Japan; from -0.21% to -0.19% in Europe; but fell slightly in Australia, from 1.53% to 1.49%.

In New Zealand yields rose, with the 5-year Government bonds increasing from 1.12% in June to finish the quarter at 1.53%, while the 10-year bond yield rose from 1.77% to finish the quarter at 2.09%.

During October global bond yields have moved higher. The US 10-year bond now yields 1.66%, while the NZ 10-year now yields 2.44%.

In resources, oil prices, based on West Texas Intermediate crude, gained 5.8%. For metal prices, iron ore fell 43.0%, while the Steel Price Index was flat, reflecting reduced steel production in China. Other metal movements were mixed: Copper (-4.7%), zinc (+0.5%), nickel (-1.5%) and aluminium (+13.3%). Precious metals were weak, gold (-0.7%), silver (-15.1%) and platinum (-10.0%). Agricultural commodities were also mixed: corn (-8.8%), Wheat (+5.9%) and Soybeans (-10.2%).

In currency markets, the NZ dollar was weaker against the stronger US dollar and Swiss Franc. The NZ dollar appreciated 2.4% against the Australian dollar, 1.2% against the Euro and 1.4% against the British Pound.

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

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