

Yovich & Co. Market Update

21st December 2021

The Year in Review

From all of us at Yovich & Co we wish you a Merry Christmas and a prosperous New Year. The office will be closed from 12.00pm Friday 24th December and will reopen 5th January.

The table below shows the year to date change in markets from the start of 2021 to 17th December.

	NZX 50G	All Ords	Shanghai	FTSE	Dow	NASDAQ	NZDAUD	NZDUSD	OCR
As at 17th December	12717.94	7626.23	3632.36	7269.92	35365.44	15169.68	0.9454	0.6768	0.75%
January 2021	13091.64	6850.61	3473.07	6460.52	30606.48	12888.28	0.9334	0.7184	0.25%
Change	-2.85%	11.32%	4.59%	12.53%	15.55%	17.70%	1.28%	-5.78%	0.50%

- The NASDAQ in the US has been the stand-out market in 2021 with a capital return of 17.70%, driven by the large technology companies such as Apple (28.98%), Microsoft (45.58%), Alphabet (Google) (61.73%), and Tesla (32.15%).
- The Dow Jones in the US has also seen strong growth of 15.55% after a more modest year in 2020.
- The Australian index saw strong growth, with the banking sector recovering during the year: ANZ Bank (21.72%); Commonwealth Bank (20.72%); National Australia Bank (27.57%).
- The NZ market declined after a positive year in 2020. Note that the return for the NZX above is a gross return which includes dividends, while all other indices are capital only. If we exclude dividends, the NZX 50 return was -5.24%.

The biggest movers of the Year to Date to 17th December

Up		Down	
Skellerup	65.48%	A2 Milk	-52.36%
Sky TV	64.60%	Synlait Milk	-36.90%
Heartland Bank	40.36%	Meridian Energy	-34.70%
Mainfreight	30.76%	Pushpay	-30.94
EBOS Group	30.38%	Genesis Energy	-22.48%

Performance of Stock Picks 2021

At the beginning of the year (Market Update 19th January), Yovich & Co picked our 10 preferred high yielding and growth stocks from a list of 20 Herald Broker Picks as published on 26th December 2020. The table below shows those 10 companies and how they have performed year to date to 17th December:

Company	Price 31/12/2020	Price 17/12/2021	Capital Movement
Ebos Group	\$28.70	\$37.42	30.38%
Fisher & Paykel Healthcare	\$32.97	\$31.27	-5.16%
Heartland Bank	\$1.66	\$2.33	40.36%
Kathmandu	\$1.28	\$1.51	17.97%
Mainfreight	\$69.50	\$90.88	30.76%
Oceania Healthcare	\$1.45	\$1.33	-8.28%
Ryman Healthcare	\$15.19	\$12.49	-17.77%
Spark	\$4.70	\$4.49	-4.47%
Turners Automotive	\$3.11	\$4.45	43.09%
Z Energy	\$3.20	\$3.49	9.06%

If an investor had invested \$10,000 into each of the above 10 companies at the beginning of 2021, the value of their \$100,000 total investment would be worth \$113,595 as at 17th December; a capital return of 13.6%. Not bad considering the market fell 5.24% in the same period.

Economic News

Covid-related restrictions around the world have clogged supply chains, resulting in order backlogs and lengthy delays. This has been further exacerbated by strong consumer demand for goods, with spending that would have gone to restaurants, travel, and accommodation being diverted to goods ordered online. This has led to inflation, with many suppliers forced to raise their prices due to supply shortages, which then leads to higher business costs and consumer prices.

The US ISM Manufacturing Purchasing Managers Survey shows a sharp uplift in order backlogs and prices paid, while customer inventories have taken a sharp decline. The hope is that supply shortages have peaked, however the longer they last, the more people will expect future price rises, which in turn will put pressure on wages, leading to a wage-price spiral. With inflation at 4.9%, the highest since 2008, the Reserve Bank of New Zealand will need to continue raising rates in order to maintain price stability.

Investment News

Stride Property Group (SPG.NZ) – Share Purchase Plan Closes Over-Subscribed

Stride's Share Purchase Plan (SPP) was part of the capital raising to reduce bank debt and improve the company's loan-to-value ratio (LVR). The SPP received strong support, with applications totalling \$23.9m, and Stride has elected to accept all additional applications, with the resulting LVR 28.4%. The new shares under the SPP will be issued at the price of \$2.00.

Current Share Price: \$2.07, Consensus Target Price: \$2.31

Sky TV (SKT.NZ) – Sale of Mt Wellington Properties to Goodman Property Trust (GMT.NZ) for \$56m

As part of Sky TV's strategy of recycling capital to higher-value initiatives, Sky TV has entered into a conditional agreement with GMT for the sale of the three properties comprising Sky's Mt Wellington campus for \$56m. Sky will lease back Studio One (comprising the core production facility) on a 10-year lease, and will also lease Studio Three for a one-year term to allow for the migration of staff. Studio Two will be sold as vacant.

The Board is reviewing the company's capital structure and capital management strategy, including the future dividend policy, and the outcome of this review will be announced when Sky reports first half results on 24th February 2022.

Current Share Price: \$2.57, Consensus Target Price: \$2.97

Precinct Properties (PCT.NZ) – Wynyard Quarter Stage 3 Commenced

Precinct has announced its commitment to the development of 124 Halsey Street and the Flowers Building, being the third stage of the Wynyard Quarter Innovation Precinct. The total project cost is expected to be around \$157m, and will generate a yield on cost of c. 5.75% once the building is fully leased. Having achieved a high level of pre-leasing prior to completion of Stage 2, the company is confident of achieving a similar result at Stage 3.

Current Share Price: \$1.605, Consensus Target Price: \$1.68