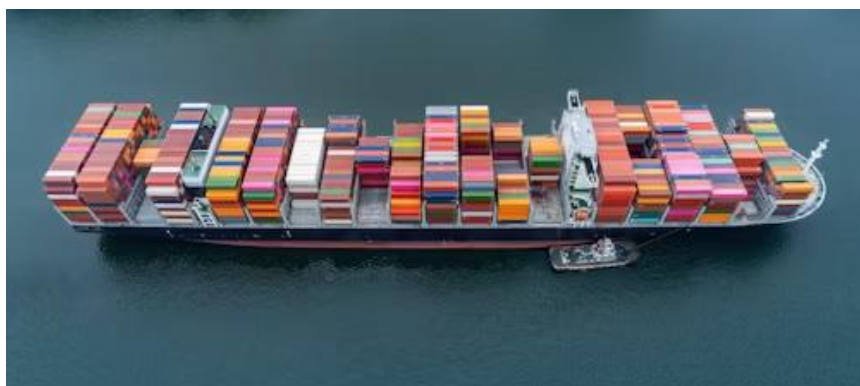


NEWSLETTER



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Chair's Message

It's been five years since the Covid virus struck, causing mayhem for governments, communities and investment markets alike. Fast forward and we now face a new, but equally widespread, upheaval. President Trump's tariffs have rattled governments, given rise to confusion, and caused share prices to drop sharply.

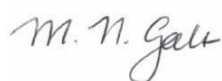
As I write, everyone is still trying to get their head around what the tariffs will mean. Pages 3 and 4 look at the immediate responses from investors. Tariffs act as a headwind to global growth and push up prices - not a good combination. That said, it's too early to tell what will happen. Thinking back to the onset of Covid, I can recall forecasts of doom, with markets diving, yet things turned out quite differently.

Before we get carried away with the latest news, we show returns to 31 March 2025 on page 2. Over the last 12 months the Growth Fund returned 4.7%¹, the Balanced Fund 4.8%, the Moderate Fund 4.7%, the Conservative Fund 4.6%, and the Cash Fund 5.1%. These returns capture some investor concern at the prospect of tariffs, but prices have fallen sharply since the 2 April 'Liberation Day' announcement. The latest falls might appear dramatic, but this is not the first time we've seen significant market falls and it certainly won't be the last. We have seen over time that markets recover, sometimes quite (but not always) quickly. Our fund manager, Mercer, is closely monitoring the situation, but now is not the time for kneejerk reactions.

I'd like to finish on a positive note. Over half of you responded to the Beneficiary Fund member survey, which is an amazing number. Many thanks! We are just compiling your responses, and these will be considered by the Board of Directors at our next meeting in early June. If you've asked a question, the team in the Office will be in touch before then.

In the meantime, like a watched pot, closely following markets during a period of excessive volatility achieves very little. If you can, avoid the negative news!

Yours in Christ



Margaret Galt



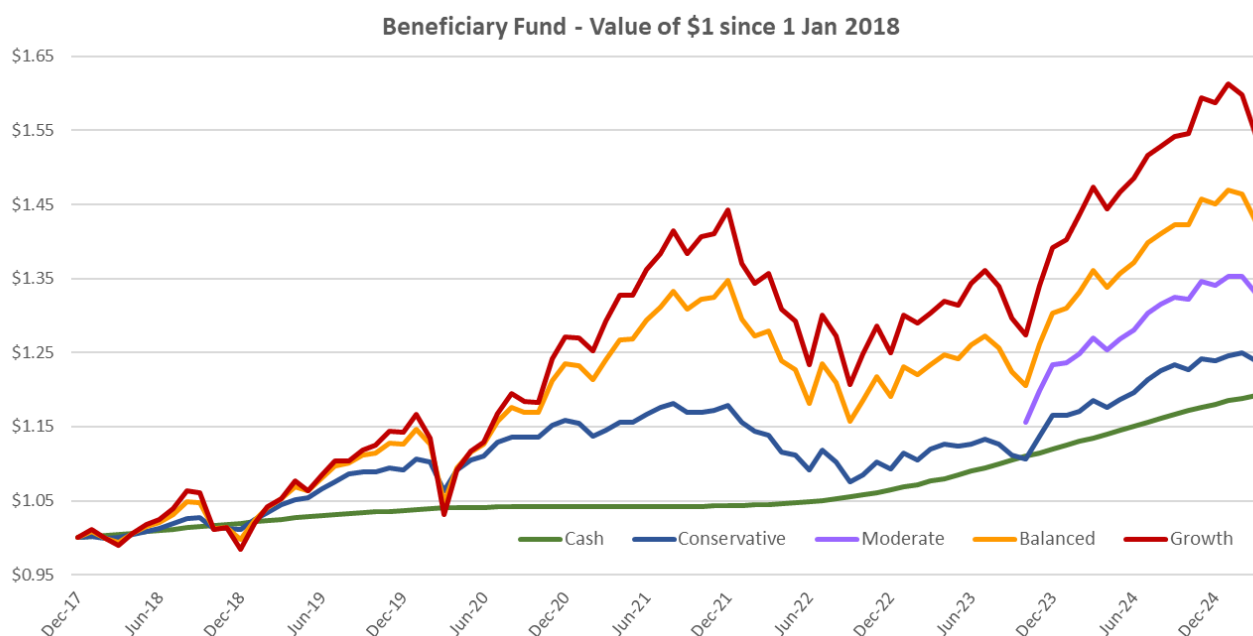
¹ All returns quoted in the Chair's Message are after fees and expenses.

Fund Returns to 31 March 2025

The chart below illustrates the value of \$1 invested in most investment options available in the Fund since 1 January 2018 and from 1 November 2023 for the Moderate Fund, after fees and expenses (the Moderate Fund was introduced in November 2023).

It shows returns first peaking at the end of 2021 after an amazing period following the initial Covid shock. After that, returns fell to a low point at the end of September 2022. This was followed by a period of ups and downs through to another low in October 2023. Since then, returns have been on a steep upwards trajectory all the way through to January 2025, with only a couple of bumps along the way. So much so, that the Growth Fund rose 27% from October 2023 to January 2025.

However, concerns about tariffs started to weigh on markets in February and March, even before the 2 April announcement. As a result, recent returns have been more volatile. The Growth Fund is up 4.7% for the year to 31 March 2025; the Balanced Fund is up 4.8%; the Moderate Fund is up 4.7%; the Conservative Fund is up 4.6%; and the Cash Fund is up 5.1% (after fees and expenses). Our last newsletter noted that the strong 2024 returns were unusually high, but it looks like the reversal might also be unusual. It's not everyday world trade and geopolitics are upended.



Markets started to get the jitters about tariffs in February 2025

The table below provides annualised returns after fees and expenses for each investment option for periods to 31 March 2025 (the Moderate Fund was introduced in November 2023).

Presbyterian Beneficiary Fund – investment option returns per annum to 31 March 2025					
	Cash	Conservative	Moderate	Balanced	Growth
1 year	5.1%	4.6%	4.7%	4.8%	4.7%
3 years	4.5%	2.9%	NA	3.7%	4.4%
5 years	2.8%	3.1%	NA	6.4%	8.4%

The table below provides unit prices for each investment option as at 31 March 2025.

Presbyterian Beneficiary Fund – unit prices as at 31 March 2025					
	Cash	Conservative	Moderate	Balanced	Growth
Unit Price	1.8002	1.2315	1.0956	1.4922	1.5330

Trump's Tariff Threats and Troubles

The announcement of extensive US tariffs on 2 April 2025, had profound and immediate effects on global financial markets. What follows is a summary of the initial market reactions. However, the situation remains very dynamic, so the position may be quite different by the time you get to read this.

That fact that things are so dynamic is a reminder that trying to second-guess what will happen next is not advisable.



Global Share Prices

The announcement triggered sharp declines in global share prices as investors reacted to the prospect of a trade war and economic slowdown. In the US, technology stocks fell 6% in a single day, while the S&P 500 lost over 10% from its February peak, wiping out trillions in market value. Asian markets followed suit, with a number falling by around 10%. European indices also slid, driven by fears of retaliatory tariffs and weakened global demand.

Investors fled riskier assets in favour of safe havens, underscoring the perceived severity of the risks. The sell-off reflected concerns that escalating trade barriers would disrupt global supply chains, suppress corporate earnings, and tip major economies into recession. Sharemarket volatility remains high as uncertainty over future policy moves continues to unsettle investor confidence. Suffice to say that drops of this magnitude are not good for growth and balanced funds.

Bond Yields

Uncertainty and concerns about the adverse impact tariffs would have on economic growth led investors to seek safe-haven assets, resulting in more demand for government bonds. This flight to safety pushed bond prices up (and yields down), which is good for investors in conservative funds.

Conversely, some shorter-term yields have risen (prices have fallen) reflecting expectations of inflationary pressures due to increased import costs from the tariffs (not so good for conservative funds). This divergence between short-term and long-term yields suggests a complex outlook, with investors balancing concerns about immediate inflation against longer-term growth prospects.

Exchange Rates

The announcement of the tariffs had a notable impact on currency markets. The U.S. dollar strengthened as investors sought its relative safety amid global uncertainty. The irony here is that President Trump wants US goods to be more competitive, but a higher dollar makes their goods more expensive abroad, potentially exacerbating trade imbalances.

What about New Zealand?

New Zealand has not escaped the fallout from the tariff announcement, even though the across-the-board tariff applied to our goods is at the lower end of the spectrum. To date, the NZ share market has not fallen as far as some global counterparts, but the position remains volatile. Our long term government bond prices have also matched the increases offshore. The NZ dollar has weakened slightly, and is now at recent lows. On the plus side, a falling NZ dollar mitigates the impact of lower offshore share prices (albeit marginally).

This is all against a backdrop of a subdued local economy and a sharemarket that has struggled to get out of the doldrums. While GDP for the 4th quarter of 2024 was positive, suggesting the country is no longer in a recession, things still feel tough. The job market was not expected to pick up until

later in the year, but everyone is now scrambling to update their forecasts to cater for the impact of tariffs. As an early indication of responses, the Reserve Bank of NZ has just lowered the Official Cash Rate a further 0.25% to 3.5% (as expected), but in doing so noted that: *“The recently announced increases in global trade barriers weaken the outlook for global economic activity. On balance, these developments create downside risks to the outlook for economic activity and inflation in New Zealand.”*

Where to from here?

In our December 2024 newsletter we noted that the global economy was largely in good shape, but there were a number of threatening crosscurrents. One of those was what President Trump would do when he takes office. It's now fair to say that the cross current is more like a tidal wave.



However, as we have noted, things are still too dynamic to draw any firm conclusions.

The Chairman of the US Federal Reserve (the equivalent of the Reserve Bank of NZ) recently provided a succinct analysis: *“While uncertainty remains elevated, it is now becoming clear that the tariff increases will be significantly larger than expected. The same is likely to be true of the economic effects, which will include higher inflation and slower growth. The size and duration of these effects remain uncertain. While tariffs are highly likely to generate at least a temporary rise in inflation, it is also possible that the effects could be more persistent.”*

This would likely not be good for investment returns, especially after-inflation returns. But there are other scenarios. We have already seen that President Trump has used the threat of tariffs as a negotiating weapon. It is possible that the ultimate tariffs are not as substantial as the initial numbers suggest. If this were the case, markets might rebound again. Either way, investment markets are likely to bounce around as they struggle to digest the uncertainty. Markets like clarity. With clarity, comes the ability to forecast earnings and value companies. Accordingly, we would not be surprised to see continued volatility in markets.

Seek Advice

All the Fund's investment options (other than Cash) are well diversified. That is, they consist of a mix of shares, bonds, property and infrastructure investments, located here in New Zealand and around the globe. This diversification provides some protection from volatility.

As always, if you want to make some big decisions about your finances or retirement savings, we strongly recommend you speak with a licensed financial advice provider. Trying to 'time the market' by selling at the top and buying at the bottom is not easy. Making withdrawals or switching investment options when the market is very volatile can lead to locking in losses.

For information about your account balance and Fund details, please call the Fund's Administration Manager, Melville Jessup Weaver (MJW), on 0800 266 787, emailing them at presbyterian@mjlw.co.nz, or posting to PO Box 1096, Wellington 6140.

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