

[ AUTUMN 2026 ]

# INSIGHTS



📍 Queenstown, New Zealand

[ ECONOMIC & MARKET COMMENTARY MARCH 2026 ]

[ THE ROLE OF GLOBAL BONDS IN A PORTFOLIO ]

[ HOW THE MARKETS FARED ]

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RUTHERFORD REDE

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# Economic & Market Commentary

[ MARCH QUARTER 2026 ]

**Markets took a large hit when war broke out in Iran.**

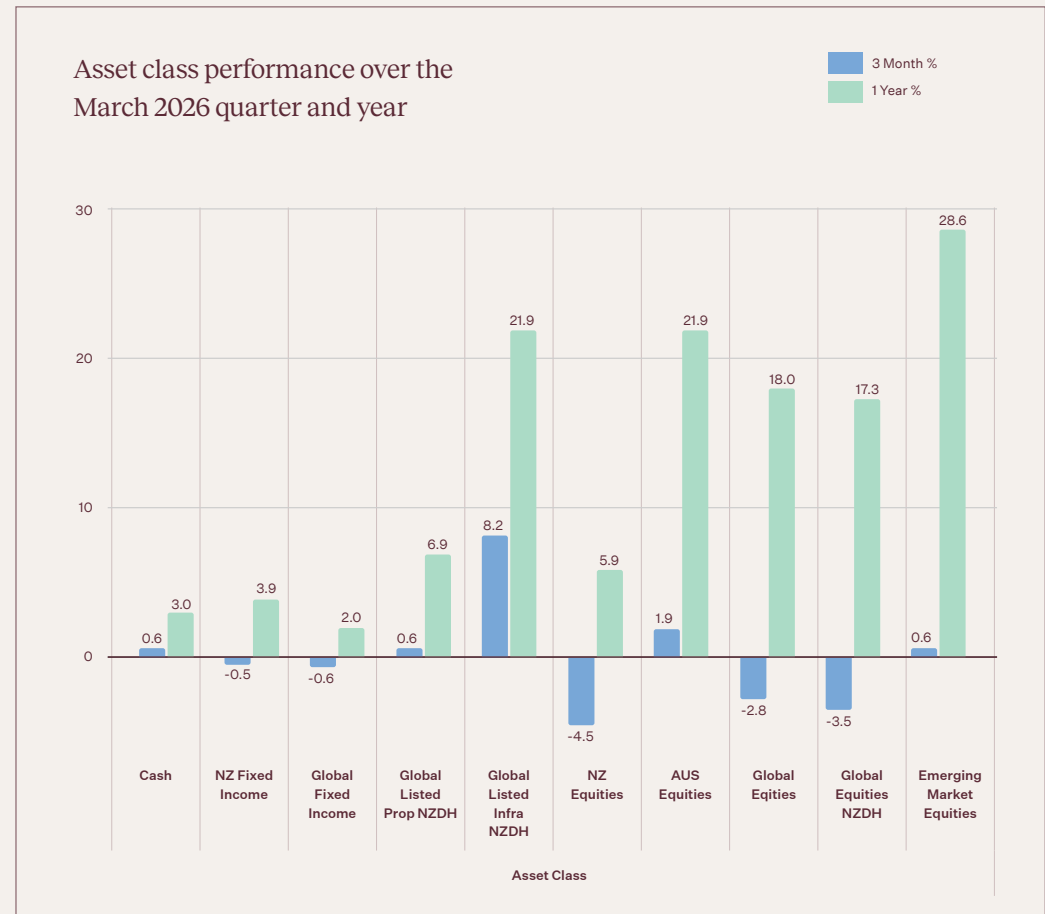
Markets delivered mixed performances in the March 2026 quarter. January and most of February were strong, but this was completely up-ended on 27 February when the United States and Israel launched a war on Iran. Oil prices rose dramatically as energy facilities in the Gulf region were attacked and as traffic in the Straits of Hormuz, which accounts for around 20% of global oil trade, was left high and dry.

**Most equity markets were relatively resilient over the quarter, reflecting a view that the war and its impact will be temporary.**

While most equity markets were down over the quarter, they have been fairly resilient to the ‘shock’. This partly reflects an expectation that the war will be short-lived, with trade flows from the Gulf region resuming in time. That is, the market is betting that the negative impact on economic growth and inflation will be temporary. At the time of writing (April 8th) this expectation appears to be validated given the announcement of a two-week ceasefire to negotiate a more lasting resolution and the fact that damage to oil and gas facilities in the Gulf region have been relatively modest, whilst flows from other regions have increased. But that said, risks and uncertainties remain very high. Even with an end to the war, it will take weeks if not months for production and flows to return to previous levels.

**Emerging markets, ex-US equities out-performed, as did smaller cap stocks, reflecting a rotation from US large caps.**

In the event, global equities fell around 3% in NZD terms, and 3.5% on an NZD hedged basis as the Kiwi weakened. Over the year, returns have remained strong at around 18% on an unhedged basis and 17% hedged. Emerging market equities slightly rose in the quarter and returned around 29% in the March year, significantly outperforming developed markets. Australian equities and global ex-US equities also out-performed global over the past quarter and year. In contrast, NZ equities fell by about 4.5% in the quarter and have risen only 6% over the year. Style factors have been significant, with small-caps and more recently value outperforming, while quality stocks have under-performed. Overall, the performance differences reflect a rotation away from larger cap US tech shocks to other sectors and markets.



**Fixed income returns were soft while real assets and alternatives performed well.**

Fixed income returns were slightly negative over the quarter, reflecting a steepening in future interest rate expectations and associated marked-to-market losses on bond prices, on the back of the war on Iran. The silver-lining is that long-term bond yields are now back to decade-high levels, implying higher returns going forward. We discuss this further in our feature this quarter on global fixed income.








Listed property and infrastructure performed well in the quarter. Over the year infrastructure increased around 22%, while global property rose 7% on a NZD hedged basis. The out-performance of these asset classes in the quarter vs global equities is consistent with our view that they should be relatively resilient to rising inflation.

# How the Markets Fared

A mixed quarter, as geopolitical tension and rising rates weighed on markets, but longer-term returns remain solid.

All returns are expressed in NZD.

We assume Australian Shares and International Property are invested on an unhedged basis, and therefore returns from these sectors are susceptible to movement in the value of the NZD.

	<p>↓ <b>Qtry Return</b> -4.5%</p> <p>↑ <b>Past Year</b> +5.9%</p>	<p><b>New Zealand Shares</b></p> <p>New Zealand shares fell by 4.5% in the quarter as the US and Israel launched a war against Iran in late February, leading to higher oil prices, rising inflation, and increased risk of recession. Annual returns were still positive at around 6% for the year to March. Market Index: S&amp;P/NZX 50 Total Return Index with Imputation Credits</p>
	<p>↑ <b>Qtry Return</b> +1.9%</p> <p>↑ <b>Past Year</b> +21.9%</p>	<p><b>Australian Share</b></p> <p>Australian shares posted a gain of around 2% in NZD terms for the quarter, despite a negative 1.6% return in local currency, which reflected the NZD weakening against the AUD. Value stocks out-performed rising 5.5%, while small caps fell 7.7% in NZD terms. Market Index: S&amp;P/ASX 200</p>
	<p>↓ <b>Qtry Return</b> -2.8% (-3.5% Hedged)</p> <p>↑ <b>Past Year</b> +18.0% (+17.3% Hedged)</p>	<p><b>International Shares</b></p> <p>International shares fell around 3.5% in NZD hedged terms, and 2.8% in unhedged terms as the Kiwi fell against the US dollar and other major currencies. Over the past year returns were still strong, being 18.0% unhedged and 17.3% hedged. Both value and small cap stocks out-performed in the quarter, rising by around 2% in NZD terms. This largely reflected a rotation away from larger cap tech stocks in the US. Market Indices: MSCI World Index; MSCI World 100% Hedged NR NZD, MSCI World Value, MSCI World Small Cap in NZD terms</p>
	<p>↑ <b>Qtry Return</b> +0.6%</p> <p>↑ <b>Past Year</b> +28.6%</p>	<p><b>Emerging Markets</b></p> <p>Emerging Markets again performed well this quarter, rising by around 5.7% in NZD terms. This lifted their annual return to around 30.1%, significantly outperforming developed market equities over the year and ahead of equity returns in NZ and Australia. Market Index: MSCI Emerging Markets Index</p>
	<p>↓ <b>Qtry Return</b> -0.5%</p> <p>↑ <b>Past Year</b> +3.9%</p>	<p><b>New Zealand Fixed Income</b></p> <p>NZ investment grade bonds returned -0.5% over the quarter and around 4% over the year. The weak quarter reflected a steepening in future interest rate expectations and associated marked-to-market losses on bond prices, on the back of the war on Iran. Market Index: S&amp;P/NZX Composite Investment Grade Index</p>
	<p>↓ <b>Qtry Return</b> -0.6%</p> <p>↑ <b>Past Year</b> +2.0%</p>	<p><b>International Fixed Income</b></p> <p>Global investment grade bonds fell around 0.6% in the March quarter which brought the annual return to around 2.0%. As with NZ bonds, the Iran war has caused longer term rates to increase, driving yield higher and causing marked-to-market losses Market Index: Bloomberg Barclays Global Aggregate Index (hedged to NZD)</p>
	<p>↑ <b>Qtry Return</b> +8.2% (Infra)</p> <p>↑ <b>Past Year</b> +21.9% (Infra)</p>	<p><b>International Property &amp; Infrastructure</b></p> <p>International infrastructure rose 8.2% in the quarter in NZD hedged terms, while global property increased around 0.6% in NZD hedged terms. Over the year, infrastructure increased around 22% and global property rose 6.9% on a NZD hedged basis. The out-performance of these asset classes vs global equities is in-line with our view that they are relatively resilient to rising inflation.</p>

# The Role of Global Bonds in a Portfolio

When markets become uncertain, global bonds play a steadying role, helping protect capital while continuing to generate income.

**Global bonds play an important defensive role in diversified portfolios, acting as a ballast during periods of volatility**

Global bonds play an important role in your portfolios, providing a defensive return element (which has been tested in recent years) and ongoing income. In March, we completed a review of this asset class. The review included an assessment of current bond allocations and the wider Approved Product List (APL). We remain comfortable with the fixed income funds in your portfolio.

We believe the best way to allocate to global bonds is to diversify across different types of fixed income strategies, each with distinct risk/return profiles. In your portfolio we combine short-duration, high-quality credit, and government bonds. By blending these strategies, using low-cost core bond exposures alongside more active satellite funds, your global fixed income allocations have achieved better returns than standard bond indices, with less volatility. This strategy outperformed a global bond index across all measured periods over the last five years, including 2022 when considerable value came from short-duration strategies. Diversifying across bond sub-sectors and managers can enhance both the defensive and return aspects of a fixed income allocation. Each plays a specific role, which we outline below.

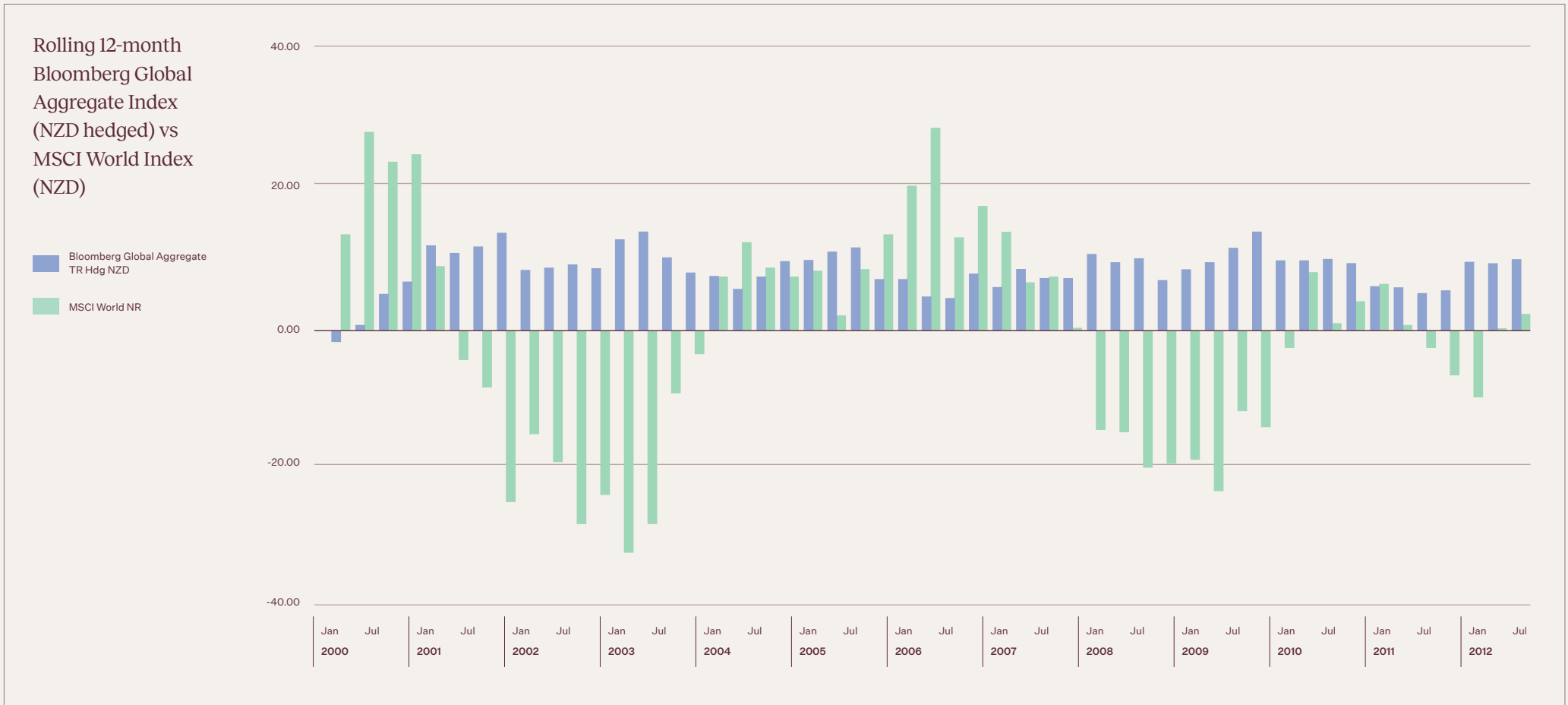
**Core bond holdings include Sovereign bonds and government-related bonds as well as high-quality corporate bonds.**

Government and Corporate Bonds (Core Duration): The safe haven. Sovereign bonds are seen as the ultimate safe haven and, for core bond exposure, are used alongside government-related entities and high-quality corporate bonds. They provide reliable income and a hedge during typical recessions. Figure 1 presents the long-term rolling annual returns of the Bloomberg Global Aggregate Index, which serves as the benchmark for global government and corporate bonds, covering the period since 1999.

Government bonds tend to perform best during periods of volatility, as central banks often cut interest rates in such times. This is illustrated in the chart on the following page, which shows the returns of global government and corporate bonds (blue line) versus global shares (green line) from January 1999 to December 2012. Bonds added considerable value to a portfolio during 2000–2003, when markets were down significantly because of the 2000 Technology, Media and Telecommunications (TMT) Bubble and the 2008 Global Financial Crisis (GFC), returning above 10% (NZD hedged) during both periods.

**Core bonds have typically added value during periods of equity market volatility,**

Core global bond returns faced notable headwinds in 2022, driven by rising interest rates and declining equity markets. Unlike during the TMT Bubble and the Global Financial Crisis, diversification benefits were limited. However, today's environment of elevated global rates provides greater resilience against potential market downturns, as central banks now have significantly more flexibility to lower rates compared to 2022.



**Short duration bonds have been a key contributor to your portfolio over the last 5-years.**

Short-Duration, High-Quality Credit: The stabiliser. These are bond funds that focus on short-term, high-quality corporate issuers. Their main function is capital preservation while providing a consistent yield above term deposits, with minimal sensitivity to interest rate moves. Here we have used short-duration specialist firms eg. Daintree. These funds have been among the best-performing segment of the fixed interest portfolio. They held up significantly better than long-duration bonds during 2022’s rate spike and, because they are short duration, were able to rotate quickly into bonds offering higher coupons (interest rates), rebounding once conditions stabilised.

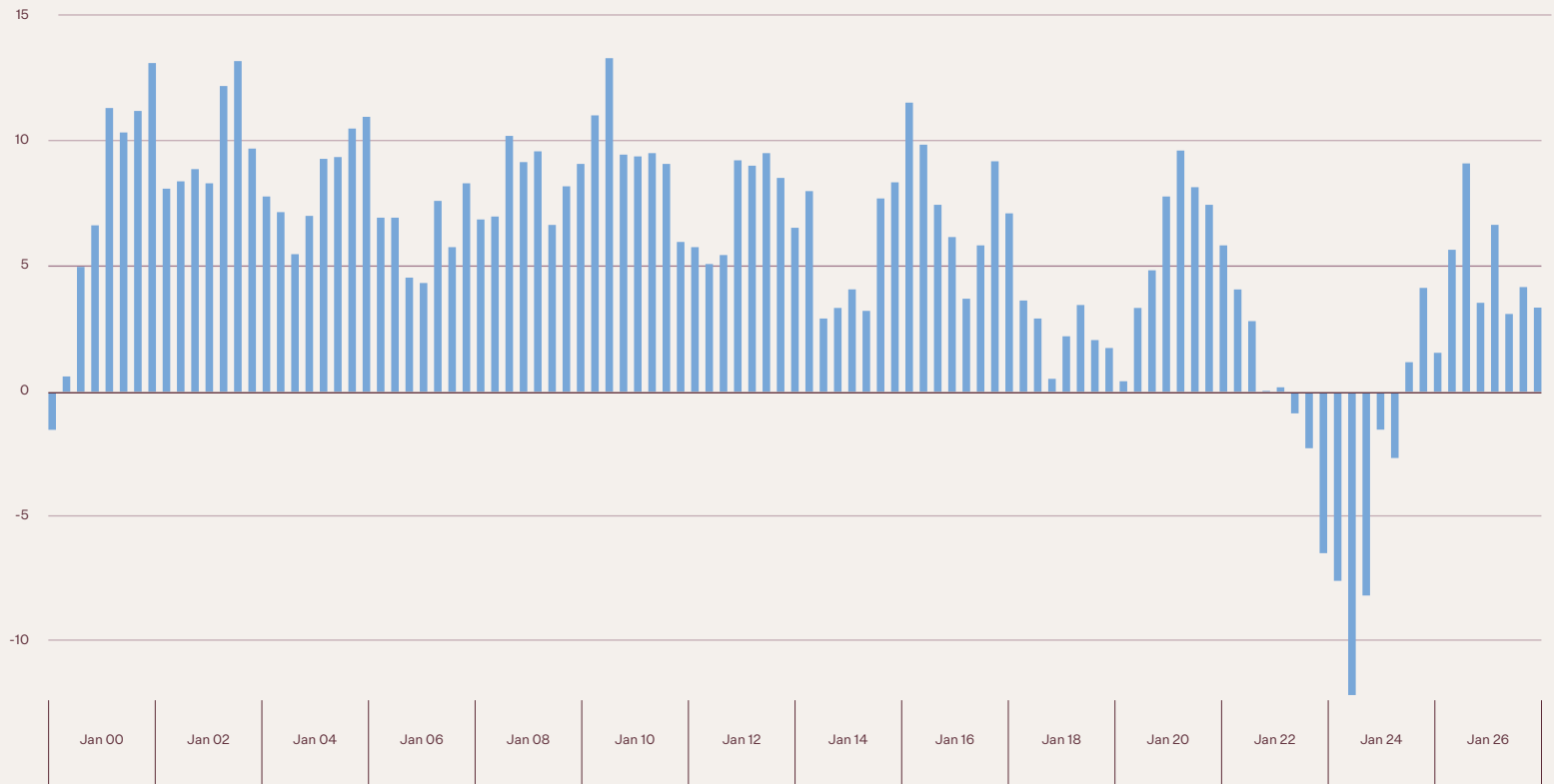
— Global bonds play an important defensive role in diversified portfolios, acting as a ballast during periods of volatility

**The global bond market offers superior diversification and the opportunity to add value.**

Some investors have preferred to allocate their whole bond exposure to New Zealand’s domestic market. However, it is relatively small and concentrated. Government bonds and a handful of local corporate issuers dominate, and there is virtually no local high-yield market to speak of. This narrow opportunity set can severely limit both returns and diversification. The local market constraints, narrow sector composition and limited liquidity, often lead to index-like performance. With few issuers and low trading volumes, it’s hard for active managers to find an edge. Moreover, large investors (like KiwiSaver providers or pension funds) can face challenges buying or selling NZ bonds without moving the market due to lack of liquidity. This illiquidity becomes most problematic in times of stress when investors need liquidity the most. For clients considering investing directly in New Zealand bonds, these issues are even more pronounced. Direct ownership is not recommended because trading individual bonds is far too illiquid, making it difficult to buy or sell. Further to this, there has been a significant growth in the NZD Hedged universe of overseas bonds funds over the last 5-years bringing significant more choice for domestic investors.

Figure 1 Rolling 12-month returns of the Bloomberg Global Aggregate Bond Index (NZD hedged)

Source: Morningstar



# Q&A with Henry Ford



“Most of all I like working with people and helping them feel comfortable that they are on track.”

Insights introduces people that we work closely with so that you can understand the wider team that provides our services.

#### How long have you been in the business?

I have been a financial planner since October 2007. I started with a business very similar to Rutherford Rede, Bradley Nuttall, a Christchurch based advisory firm establishing their Auckland office. Later in 2015 I joined Rutherford Rede as one of the four shareholders at that time.

#### What is your background?

I started life on a farm in Mid Canterbury near the foothills. At that time the rural sector was vibrant. I went to a small country school where the teacher was the cleaner, the bus driver and the sports coach. Like almost all the children in the district I went to boarding school in Christchurch.

I graduated from Lincoln College (as it was then, a College of the University of Canterbury) and spent three years working as a Rural Appraiser in the Rural Bank in Dunedin. My passion was farming and in the early 80's we purchased a half share of our home farm hoping to build on this and expand. After a good start the rural restructuring of the 80's meant we needed to make some tough decisions. We chose to return to the Rural Bank. That led to promotions in quick succession, first to Timaru, then Invercargill, then Dunedin and Christchurch. All this happened in three years. After National

Bank purchased the Rural Bank I had a position of Area Chief Manager Canterbury/Westland that then progressed to a position in Wellington which involved running the national branch network as well as a couple of years running the products and marketing area. The National Bank was a great place to work. It was genuinely a values driven organisation and I have great respect for my boss through that time, Sir John Anderson.

Sadly this ended when the ANZ purchased the National Bank and soon after I received an offer to be GM of Consumer Banking for Westpac based in Auckland. That role lasted only three years and at that point I decided that I wanted to work in an environment that was not corporate. I always struggled with the concept that the shareholder not the customer was our priority.

I then took the scary step of starting my own financial planning business, as it turned out just at the Global Financial Crisis was getting underway. The worst of timing. It took around five years to establish and through that time success was never assured. In 2010 I met Phil Ashton and Jocelyn Weatherall and we discovered we had a lot in common. I moved my business to their premises and in 2015 merged my business into theirs.

“This is a privileged role where our clients trust us with matters that are deeply personal and ultimately matters that are most determinate in making them happy.”



**What do you like about this business?**

————— Most of all I like working with people and helping them feel comfortable that that they are on track. This is a privileged role where our clients trust us with matters that are deeply personal and ultimately matters that are most determinate in making them happy. I love the fact that we are able to help people. We all like to make a difference when we come to work and mostly we do. In the routine of life when things are going along steadily, it does not feel like we are making that much difference. But when we start a relationship and get things organised, then when the inevitable personal challenges come along, being there and being able to see things through our clients eyes matters. These moments while challenging are the moments we are here for

**Tell me about your family?**

————— I have been married to Marg for 44 years and find it remarkable that she has tolerated me for that long. We have three children, Rob who is married to Jess, Bridget who has a partner Ben, they are engaged, and Jamie who is married to Zoey.

Our grandchildren are numerous and include Harry, Jack, Mackenzie, Jude, Lucy, Freya (identical twins), and Fergus. Another girl is expected in June. All of our grandchildren have tireless energy, unlimited determination and a great sense of fun. Family is a very important part of our lives.



“I like to be busy - as does Marg, my wife - so it should not be a surprise that our grandchildren have followed suit. However, it is exhausting, and after a weekend with them we are often sound asleep by 9pm.”

#### What do you do when you are not at work?

————— My farming instincts and habits have never left me. I love growing things. I have a vegetable garden/orchard at our bach in Whangamata as well as a small patch in our Auckland suburban garden. I lead a programme of food production at a Kaingaora site in Parnell. We have around 400 square metres under production and are there every second Thursday morning. I germinate and grow all the seedlings. Our Kumara harvest this year is looking promising. We have one resident who helps and we would like more, but so far their focus has mainly been on consumption. We keep turning up!

I also act as Chair of Trustees for Macular Degeneration NZ. I was persuaded by a friend to join and ended up in the Chair around seven years ago. No successor is apparent and when I raise the subject no one makes eye contact. We are the link between the public and the medical practitioners. Macular Degeneration is the leading cause of blindness in New Zealand and early detection makes a huge difference. Like all charities funding is our big challenge. Supporting and advocating for sufferers is the easy part.

I also play golf. Usually badly but I am not one to accept that and often need the services of an experienced counsellor.

I was once a cyclist but the roads are becoming increasingly hazardous so are confined to biking to work on the days when I don't need the car. Part of our travel usually includes a bike tour and we have completed bike trips in Vietnam, France, Italy and Japan. It's such a great way to experience a different country.

Each Tuesday is Yoga night. Karla has been instructing me now for 15 years. I am the only male in the class and curiously even though we only see each other in class we have a very strong bond. I think my posture and flexibility is improving. To be fair, both needed work.

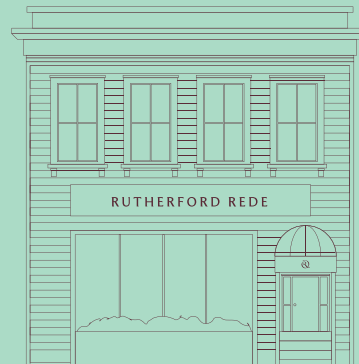
I like to be busy as does Marg my wife so it should not be a surprise that our grandchildren have followed suit. However, it is exhausting and after a weekend with them we are often sound asleep by 9.00 pm.

#### How long will you be around Rutherford Rede?

————— Rutherford Rede has the elements that I enjoyed so much at the National Bank. We have a great staff team, great clients and we consider we do worthwhile work. I have to be realistic that from a health perspective I am in that zone where the unexpected can happen. To protect both clients and the team we have put in contingency arrangements and my day to day work is less intensive. I play a supporting role in the business and assist with clients wherever I can be useful.

So at this stage I have no plan for an end date but accept it will happen one day. Meanwhile I enjoy having a purpose to get up for, an enjoyable place to bike to, a family that keeps us busy and engaged and some variety just to make sure I don't go off the boil. Hopefully you will see me for a little while yet.

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