Market and Portfolio Update January 2021

Investing back in NZ while supporting future returns

The last year has seen good gains in share markets despite the effects of the Covid Crisis. As well as vaccine developments, this has been thanks to the huge stimulus from central banks and governments to help economies and markets get through.

However, by pushing interest rates to new lows this extraordinary stimulus from central banks has also added to the challenges facing investors going forward. Within Booster funds, this continues to support adding to 'unlisted' investments for a part of our investment approach - thinking creatively to help deliver a source of additional return, income yield and diversification beyond the traditional listed investment markets.

Broadening direct NZ business investments through the Darling Group

Pleasingly, the last few months have seen further progress here, as the Tahi Limited Partnership (held as part of Booster's core investment and KiwiSaver funds) has broadened its NZ business investments through a key partnership with the Darling Group.

The Darling Group is an end-to-end food business built around New Zealand avocados, citrus and blueberries. Owned and operated by the Darling Family, it's a good-sized company with scale. The group has annual turnover of around $100m, handling around 15-20% of the national avocado crop and 20-25% of the national citrus programme, through its own facilities and brands or through Zeafruit, which it owns 50% of.

Tahi has established a key partnership with the Darling Group, initially by way of a $13m loan to bridge a period of more detailed due diligence. Tahi will continue working with the Darling family in the expectation of converting the loan and becoming a cornerstone shareholder.

Gaining advantage through year-round supply

The Darling Group focus on having control at every stage of the supply chain, to offer consistent year-round supply of its produce to consumers throughout New Zealand, Australian and Asian markets. A significant proportion of fruit comes from New Zealand growers, with off-season supply gaps filled by reputable orchards throughout North, Central and South America.

In addition to the Group's main products, the combination of its capabilities across packing, processing, warehousing, fumigation, ripening, logistics, and customer connectivity allows it to trade in a variety of other fruit and vegetable categories, particularly in Queensland through J.H. Leavy. JHL was established 113 years ago and was acquired by the Darling Group in 2016, having opened a new state of the art warehousing a logistics facility last year.

A step further in supporting future investment results

The purchase provides a further source of income alongside Tahi's initial investments in wine, and high-end automotive engineering (via Dodson Motorsport, a key supplier of parts for the motorsport industry). At the same time as connecting Kiwis' money with Kiwi businesses, it's a good example of a further step to capture additional sources of income return for our investors in today's low interest rate environment - without taking on the additional short-term volatility that share markets can deliver.

And by also complementing Tahi's existing investment in Sunchaser avocados in the Bay of Plenty, the chances are now higher still that the supermarket avocado you're buying is also supporting your Booster investments!

An eventful month for investment markets

- January 2021 continued the eventfulness of 2020 with the US presidency and Senate elections being finalised, continued social unrest in the US, new strains of Covid-19 and the roll-out of vaccines around the world. The result for share markets was a slight easing in performance for the month. Arguably, a much-needed breather after strong returns in the second half of 2020.
- Video game retailer GameStop stole headlines during January. GameStop, among several other companies, was subject to a 'short squeeze' where a large number of retail traders joined together to drive the share prices of these companies up, forcing several hedge funds to also buy the stock to close their short positions (a trading strategy where the investor borrows stock from another investor and sells it, betting the share price will fall).
- The GameStop share price has since reversed much of its rise, causing a wild ride of gains and losses for those involved. Rest assured, the Booster portfolios don't have any exposure to GameStop – and we don't use short selling either, so our clients' savings are not exposed to similar 'short squeezes'.
- We took advantage of markets moving around as these events unfolded to tweak our funds' Australian share investments more in favour of those businesses that are likely to benefit the most from the global economy reopening – from banks to travel and recruitment companies – adding to the allocations we bought during December 2020.