Aurora Capital

Legacy Aurora Balanced Strategy

QUARTERLY UPDATE SEPTEMBER 2023

We still need your consent

YOU'RE MISSING OUT ON DETAILED QUARTERLY REPORTING

We emailed you in September to let you know that we've improved the way that the Aurora Strategies are setup. However, we need your consent to transfer your KiwiSaver investment in the legacy Aurora Balanced Strategy (Legacy Strategy) to a new, equivalent 'multi-fund investment option.' Giving consent should give you a better and easier experience with your KiwiSaver investment. We encourage you to read the PDS, which is available here and on the Aurora Capital website.

There is no benefit to staying in the Legacy Strategy. When you provide your consent to move to the new, equivalent multi-fund investment option, you'll receive more detailed quarterly reporting and an overall improved experience compared with staying in the Legacy Strategy.

Providing consent is super easy. It should only take a minute of your time. You can click here to get started.

If you have any questions about this, please contact your Adviser or call Aurora Client Care on 0800 242 023. We're here to help!

Investment markets

WHAT HAS DRIVEN INVESTMENT MARKETS?

After charging higher over the first half of 2023, equity markets started the September quarter strong but couldn't hang onto these early gains and ended the period weaker. This was most likely due to a shift in sentiment about future interest rates. At first, there was optimism that an economic downturn in the United States would be soft (a mild recession that doesn't lead to a huge rise in the unemployment rate) in coming months, and as a result, the era of high interest rates would soon be over. This optimism, however, soon evaporated as the US Federal Reserve indicated that high interest rates were likely to remain that way for some time, that is, that rates would stay 'higher for longer.'

Why? Simply put, the U.S economy has proven to be stronger than expected. Despite the dramatic interest rate increases from the U.S central bank, the economy is holding up quite well. We can thank low unemployment and healthy consumer spending for this stunning resilience in economic growth. In the meantime, core inflation appears to be slowing down (year-on-year) in the U.S and also across most economies. While this is good to see, inflation still remains well above target ranges. As long as economic growth remains feisty, policy makers will be in no rush to lower interest rates from their current high levels. On balance, we think it's likely that rates will rise one or two times more in the U.S, and will not be lowered for some time. A soft landing is still possible, although uncertainty remains. It's worth remembering that the majority of interest rate hiking cycles in the U.S do usually end up as recessions, with job losses.

Government bonds also weakened in the quarter, as bond yields rose. In the U.S, the most dramatic increase in bond yields was seen in longer dated maturities, with 10 year bonds rising to their highest levels since 2007. While the continued strength of the economy pressured yields higher, there were also increased worries about the enormous debt levels being run by the government. This resulted in lenders demanding higher compensation in the form of higher bond yields, for bonds with longer-dated maturities. Debt burden concerns in the U.S even led to a credit rating downgrade of the U.S, by Fitch Ratings. Central banks in the U.S, Europe (ECB) and the U.K all raised official interest rates in the September quarter, in acknowledgement of stubbornly high inflation.

In New Zealand, the central bank kept the official cash rate unchanged over the September quarter, at 5.5%. This was welcome relief for households, however, the risk of a further rate hike remains. If inflation continues to hover near its current levels, we can expect that interest rates will stay at their current high levels for longer.

Financial performance returns

LEGACY AURORA BALANCED STRATEGY AS AT 30 SEPTEMBER 2023

	RETURNS		
	3 month %	6 month %	1 year %
Strategy (after fees, before taxes)	-2.66	-0.27	3.59
Objective: CPI + 3.4%*	2.63	4.56	9.05

CPI is the headline Consumer Price Index
* As at 30 September 2023

Questions?

If you have questions about this report, please contact your adviser who will be happy to help.

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