

A Message from Forsyth Barr

As unexpected and sudden as the current snap-lockdown has been, our experience of COVID-related disruptions to normal business over the past 18 months has meant that we have been able to quickly adapt to working from home following the Government's announcement earlier this week.

All our Investment Advisers and staff are equipped to provide uninterrupted service to you. While our local offices are closed, your Investment Adviser(s) can be contacted in the usual manner during normal business hours.

Our Research team is continuing to evaluate the impact of the current COVID-19 environment on New Zealand's economy and corporate sector, with their focus on identifying new opportunities as the investment environment unfolds in the period ahead. I hope you find the below article both informative and helpful.

While we hope that the current restrictions on our daily lives will not be prolonged, you may have some questions about how we are managing the business and what this may mean for you and your contact with us in the meantime. I hope that the following points are of assistance in this regard.

If you ordinarily contact your Investment Adviser to request the purchase or sale of securities (including if you are a Premium Advisory Service or Managed Fund Advisory Service client), you can continue to do so in the normal manner. All financial markets remain open for business.

If you are a Private Portfolio Management service client, your Investment Advisers are continuing to actively manage your investment portfolio in accordance with your Investment Authority and your overall investment objectives.

If you would like to add (or withdraw) funds to (or from) your account at any time, this can be arranged in the normal manner by depositing funds to your Forsyth Barr Cash Management account, or by contacting your Investment Adviser(s) for assistance.

Please be assured that our constant focus is to create the certainty that your investments are being professionally managed at all times.

For further assistance, or if you have any questions concerning this update, please contact your Investment Adviser(s) directly, or call 0800 367 227.

Or you can contact me directly, by emailing neil.ps@forsythbarr.co.nz.



Neil Paviour-Smith
Managing Director

focus

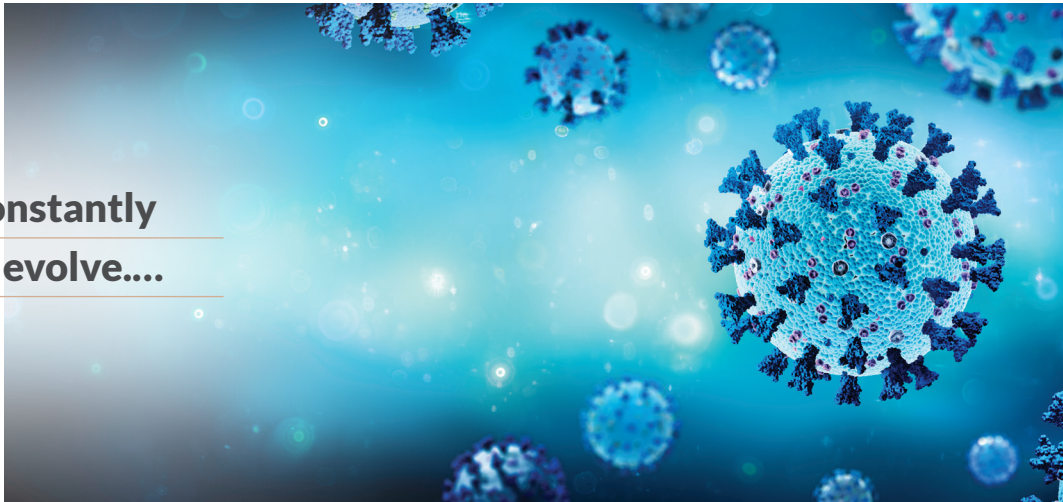


Delta Blow

New Zealand has been hit with its first community outbreak of COVID-19 in six months. That it comes in the form of the Delta strain raises the risks. Delta is significantly more infectious than earlier variants and has become the dominant strain of COVID-19 around the world.

There is good news and bad news for New Zealand investors. The good news is vaccines are still proving to provide a high level of protection against new variants meaning, whilst they might slow the global economic reopening, they hopefully shouldn't derail it. The bad news. New Zealand is the least vaccinated country in the Organisation for Economic Cooperation and Development (OECD).

...Viruses constantly mutate and evolve....



COVID-19 is a mutating virus

Viruses constantly mutate and evolve. New variants are normal. Some disappear quickly, while others represent new threats. One of the reasons people get a flu shot every year is to protect against new strains of influenza. There have been five significant variants of COVID-19. The World Health Organisation decided to name them after letters of the Greek alphabet rather than their place of discovery to avoid negative stigma. So the UK, South Africa, Brazil, and India variants are now respectively Alpha, Beta, Gamma, and Delta. Most recently the Lambda variant has been identified in Peru.

The highly transmissible Delta variant

Since its emergence last December the Delta variant has spread rapidly across the globe. It is now reportedly responsible for over 95% of

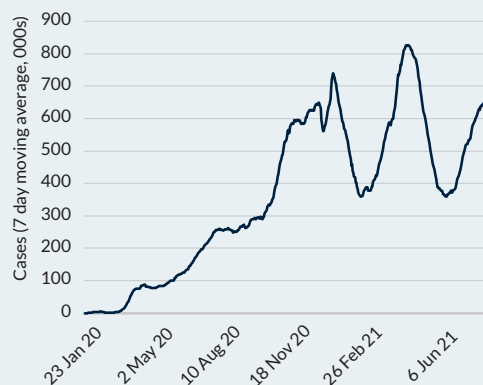
new cases in the US and around 99% in the UK. Countries, such as Thailand, Vietnam, Malaysia, and Australia, which previously kept the virus at bay have been unable to contain Delta.

There has been some concern of rising “breakthrough” cases, where vaccinated people catch the virus. Thankfully, there is evidence to suggest vaccinations still provide a high level of protection. A UK study concluded the Pfizer vaccine was 88% effective at preventing symptomatic COVID-19 from the Delta strain versus 94% against the previously dominant Alpha strain (the number of breakthrough cases is probably higher because vaccinated people with asymptomatic infections aren’t getting tested).

The even better news is the vaccine still appears to be highly effective at preventing severe cases and hospitalisations. Countries with high

Delta driving a surge in new cases ...

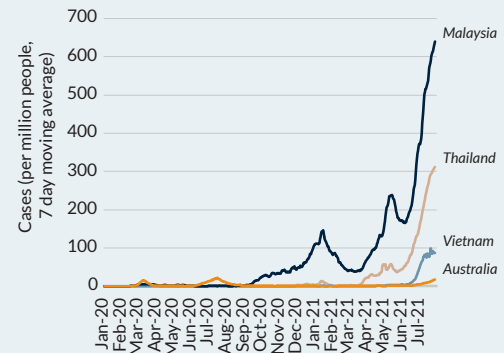
GLOBAL CASES OF COVID-19



Source: Our World in Data, Forsyth Barr analysis

... including in countries that had previously contained the virus

CASES OF COVID-19



Source: Our World in Data, Forsyth Barr analysis



...New Zealand has the lowest vaccination rate in the OECD...

vaccination rates such as the UK have seen a surge in cases, but without the accompanying rise in hospitalisations seen in previous outbreaks. Lower hospitalisation rates reduce the risk of overwhelming the healthcare system.

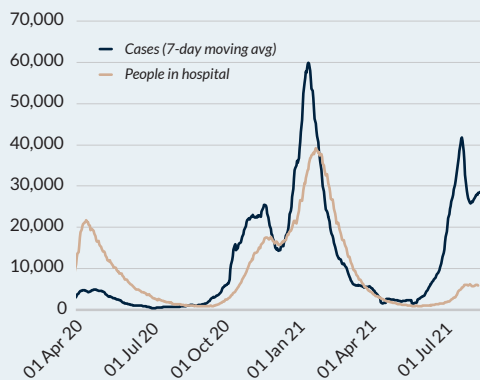
New Zealand's vaccine stroll out

New Zealand has the lowest vaccination rate in the OECD. The experience of Australia (which is the second lowest) highlights the vulnerability of an unvaccinated population to Delta. There

are positives. The majority of vulnerable people have been vaccinated, including around 80% of people aged 70 and over having received one dose and around 60% two doses. Our vaccination rate has accelerated in the past month – at the current rate around 70% of the population would be fully vaccinated by mid-November (obviously dependent on the public's willingness to be vaccinated). But for now, the country is left with no choice but zero tolerance – COVID-19 outbreaks mean strict lockdowns.

Vaccines have prevented people from becoming seriously ill ...

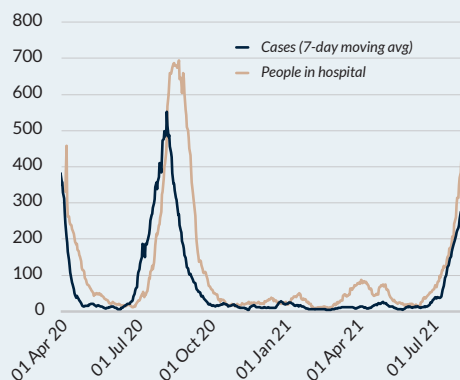
UNITED KINGDOM: COVID-19 CASES AND HOSPITALISATIONS



Source: Our World in Data, Forsyth Barr analysis

... whereas less vaccinated countries have not been protected

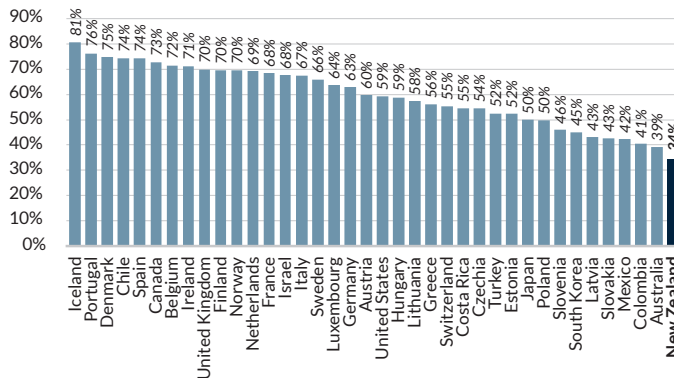
AUSTRALIA: COVID-19 CASES AND HOSPITALISATIONS



Source: Our World in Data, Forsyth Barr analysis

New Zealand lags on the vaccine rollout

SHARE OF PEOPLE WHO HAVE RECEIVED AT LEAST ONE DOSE OF COVID-19 VACCINE (OECD)



Source: Our World in Data, Forsyth Barr analysis

How concerned should investors be?

The answer is it depends on what you're worrying about. In regards to your investment portfolio, we believe not that much. There is a risk that a new variant emerges that is highly contagious, vaccine resistant, and/or more deadly. But (1) current vaccines are proving very effective, and (2) it appears likely vaccine producers will be able to adapt to new variants. We believe the chance that new variants derail the reopening of the global economy, and therefore global share markets, is low.

In New Zealand an outbreak would shut big parts of our economy, and impact economically-exposed sectors and companies. Yesterday's about-turn decision by the Reserve Bank to hold off raising interest rates highlights just how uncertain and changeable the outlook can be in a COVID-19 world. The silver lining for investors, however, is the New Zealand share market is dominated by defensive companies in sectors like healthcare, utilities, telecommunications, and consumer staples. The earnings of these companies are less affected by the economic environment.

Unfortunately, what we can't provide comfort over is how long we might be in lockdown. Given our low levels of vaccination our options are limited. Experiences around the world tell us containing the Delta variant is challenging. Fingers crossed a sharp Level 4 lockdown works. But we only have to look across to Australia to appreciate there is no guarantee it will.

We wish you and your loved ones all the best during these challenging times.



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Analyst, Equities &
Macro Strategy

Understanding that sudden changes in financial markets can cause concern or indicate opportunity, your Forsyth Barr Investment Adviser is available to provide you with advice and assistance at any time.

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