



**PACIFIC
WEALTH CREATORS**
Private Client Funds Management

RETURNS ANNOUNCEMENT

23 April 2021

Pacific Wealth Creators announces an average client portfolio return of 23.1% for the year to 31 March 2021. This net return is after fees and after tax already paid on interest and most foreign dividends.

The 23.1% net return underperformed the benchmark MSCI World (Developed Markets) index return of 32.7% (NZD-adjusted). Over the 18-year period we have outperformed the NZD-adjusted MSCI World (Developed Markets) index by 1.0% per annum on average.

While usually never happy to underperform, the combination of the historic low interest rates and unprecedented Government stimulus measures is creating an environment of consumer and investor folly that is ignoring risk and setting a scene where moral hazard seems everywhere.

Moral hazard is a condition that exists when people no longer feel a need to manage risk, i.e. they act in a way that actually increases their risk. The term originates from the insurance industry. When people have insurance, they become more complacent thereby increasing risk of an accident. In this current environment, many consumers and investors think – consciously or subconsciously - there is no longer a need to manage their own risk as the Government is there to right the negative impact of adverse events.

I have been very careful in ensuring our portfolios are positioned to minimise any future consequences. This has been at the expense of some return, but it's prudent. There are times when it's wise to tread a more sensible path than attempt to keep up with Mr Market.

My sole focus was to get our portfolios through the pandemic regardless of how bad it may have become. It still is. It's no good investors celebrating returns if investments couldn't have endured a more adverse pandemic environment.

In the earlier days it was a guess as to how the pandemic would play out. As at early April 2021, that's still the case for many countries. Yet when we look at markets, whether property markets or share markets, that are already well above pre-pandemic levels, one wonders why everybody is ignoring risk. Governments and central banks are responsible for this moral hazard.

I had to ensure we were invested in only the most robust of businesses capable of enduring a worse environment. I constantly assessed the need to rebalance, selling companies whose revenues were significantly impacted. This reduced risk and 'strengthened the fort'. Missing out on upside can never taint one's rational decisions.

As a funds manager and fellow investor, I sleep well when I consider the very low risk our collection of quality companies we hold represents. Clients do too.

For more news and announcements go to:

<http://www.pacificwealthcreators.com/announcements.html>

Further Information:

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About Pacific Wealth Creators Ltd

Established in 2000 by funds manager James Clague, Pacific Wealth Creators is a leading licensed (DIMIS) boutique private client funds manager focused on both growing and protecting the assets of our clients.

Based in Tauranga, New Zealand, we conduct our own research into listed companies using a time-tested value investment approach. This and the transparency clients have is what sets us apart.

Investment research and funds management is our passion. This is reflected in everything we do. It rubs off on our clients who we educate in the discipline of sensible investing.

If clients are to have confidence in what we do then we must be transparent, honest and display total integrity. This way we have a sustainable business that exists for the good of both parties.