Wellington Community Trust

Annual Investment Report

The year in review

It was another positive year for investments, although far from plain sailing.

Equity markets and commodity prices fell heavily in August, and again at the start of 2016. In fact, the US share market recorded its worst ever start to a calendar year. One of the key catalysts for the volatility was weak economic data out of China, coupled with clumsy government intervention in its equity and currency markets. Strong growth in China has helped keep the global economy afloat for several years now, so news of a slowdown was of concern to investors worldwide. As a result, the price of oil fell even further, not helped by worry about oversupply following the lifting of Iran sanctions.

In response to concerns about a global economic slowdown, central banks continued to keep interest rates at record lows (and in some cases, at rates below zero). Europe extended its Quantitative Easing program, the US Federal Reserve (having raised rates once in December) delayed further increases, and China allayed fears of destabilizing currency depreciation with a series of market interventions. These steps helped renew investor confidence, which returned midway through February and helped share markets to rebound and finish the year on a more positive note.

The New Zealand economy may have lost its "rock star" status, but it continues to be one of the strongest performing economies in the developed world. The economy is being driven along by a booming construction sector, record net migration and tourist numbers, and interest rates at historical lows. The Reserve Bank of New Zealand also lowered rates, dropping the Official Cash Rate from 3.5% to 2.25% in an attempt to stimulate some inflation and weaken the New Zealand dollar. On the flipside, the dairy sector remains in the doldrums, with dairy prices failing to lift materially from lows.

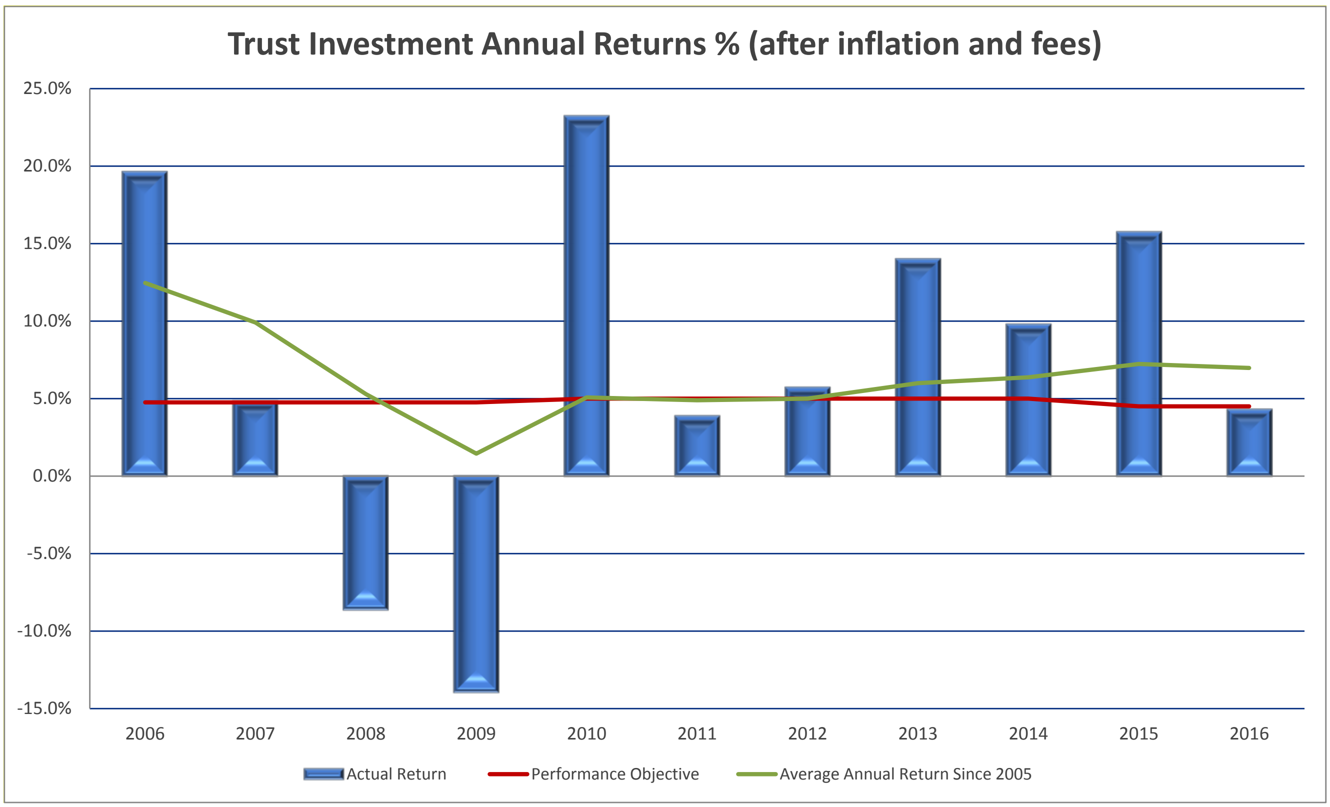
Global share prices finished the year slightly down, but a lower NZ dollar helped generate some positive returns, a good outcome given the rollercoaster ride over the year. With many governments continuing to cut interest rates and investors occasionally in panic mode, government bonds performed well over the year. Commodities were the worst performing asset class, with emerging market economies, which often rely on selling commodities, also suffering.

Results

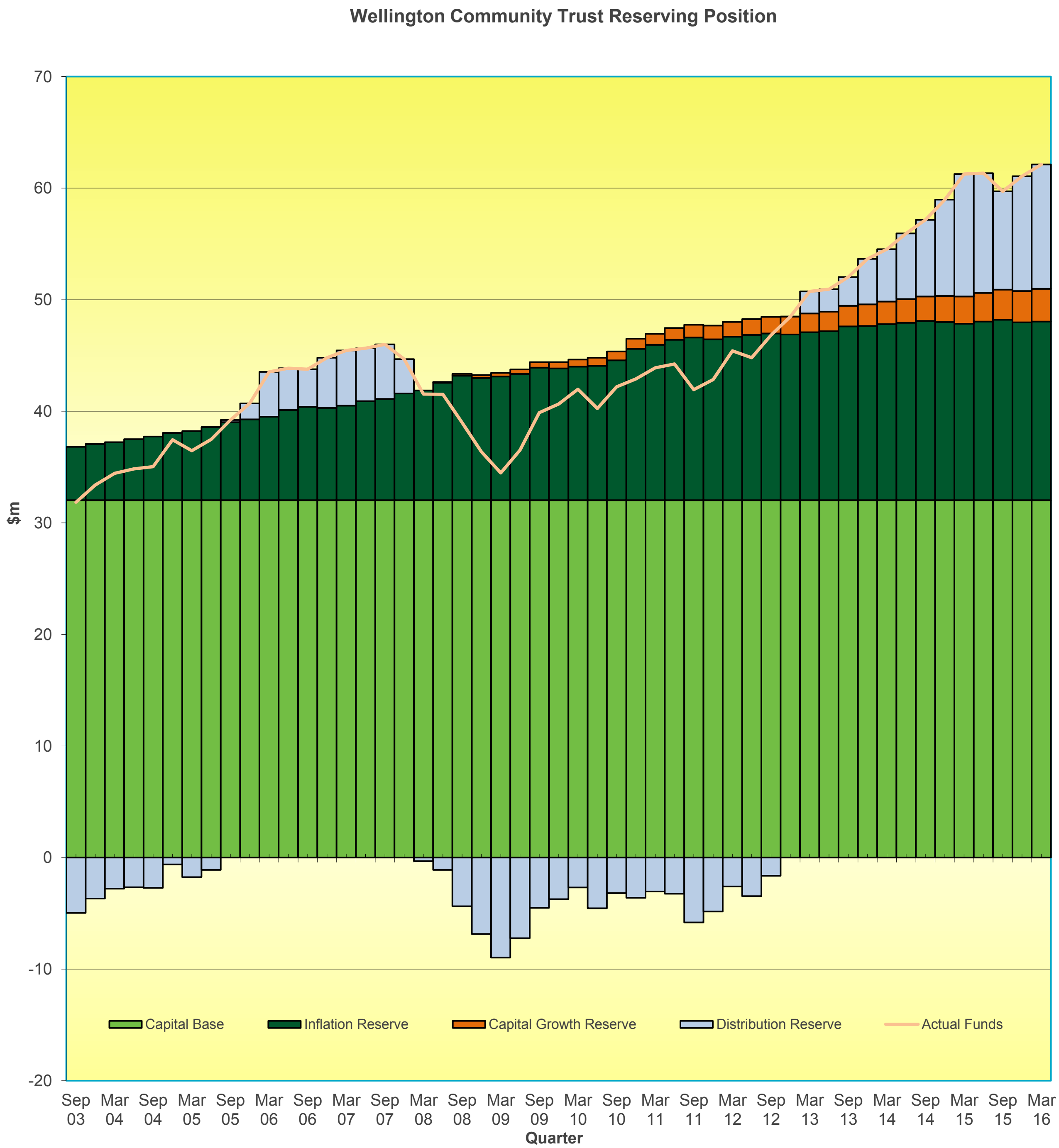
The return for the March 2016 year was 4.3% (after fees and inflation). The strongest performing sector over the financial year was Trans-Tasman Equities with a return of 10.5%. The local equity market has been a beneficiary of investors chasing high yielding securities. Global Listed Infrastructure performed well and provided some downside protection in what was a challenging year for global equities. The New Zealand Bond sector also had a surprisingly solid year, with a return of 7.4%.

There were no changes to the Trust's investment portfolio over the 2015-2016 financial year.

The chart below shows annual investment returns (after inflation and fees) along with the average annual return since 2006. The Trusts performance objective is to earn an average of 4.5% per annum (after inflation and fees) over the long term.



The chart below shows the Reserving Position of the Trust. The Trust's investment objectives are to preserve the capital value of the Trust over the long-term, maintain an inflation and capital growth reserve, and maintain a distribution reserve to ensure regular annual distributions from the Trust.



	Capital Base $	Real Capital $	Actual Funds $	Inflation Reserve $	Capital Growth Reserve $	Distribution Reserve $
Mar 2015	32.0	47.9	61.3	15.8	2.4	11.0
Mar 2016	32.0	48.1	62.1	16.0	2.9	11.1

Investment Portfolio

The following chart summarises the asset allocation of the Trust at the end of March 2016.