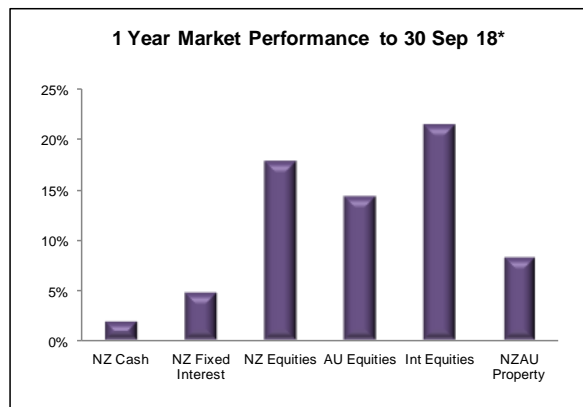
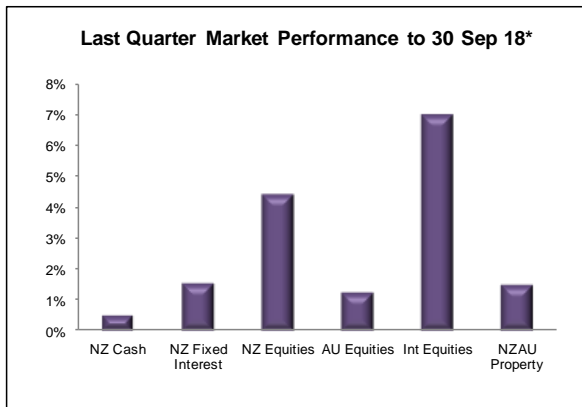




Tirohanga ki te makete mō Mahuru 2018

He moana pukepuke e ekengia e te waka: A choppy sea can be navigated

Market Overview







*Benchmarks; NZX 90D, ANZ Comp A, NZX50 / ASX200(NZD) comp, MSCI World (NZD), ANZ Corp A +2%, NZX/ASX200(NZD) PROP comp

International share markets have generally risen, buoyed largely by the strength of the US share market. The fixed interest market however is becoming more driven by domestic trends, in both the short and long term maturities.

While the global economic growth rate is steady, divergence in country performance is occurring with strong performance in the United States, Japan, Australia and New Zealand while China continues to decelerate and Europe retaining weak growth. Emerging countries are adversely affected by the strength of the US dollar, rising US interest rates and the high oil price.

With the continued uncertainty of the outcome of US trade policies (tariffs – China) and the risk of inflation igniting (wage pressure and higher oil price), the global outlook for both the economy and financial markets has both central banks and investor's cautious.

Quarter Benchmark Performance:

-  NZ Fixed Interest up 1.5%
-  NZ Equities: up 4.6%
-  Australian Equities: up 1.2% (NZD), up 1.5% (local currency).
-  International Equities: up 7.0% (NZD), up 5.3% (local currency).

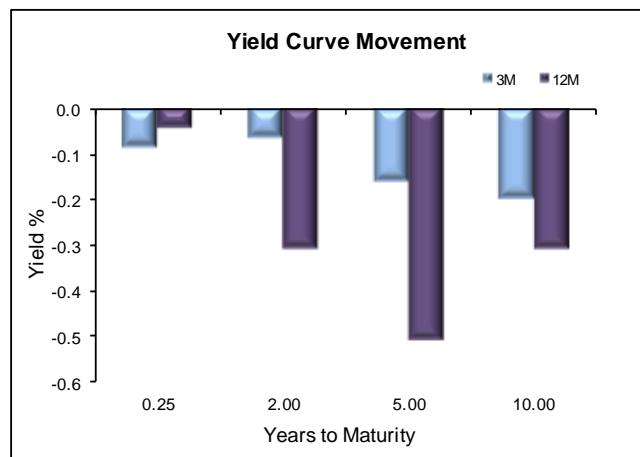
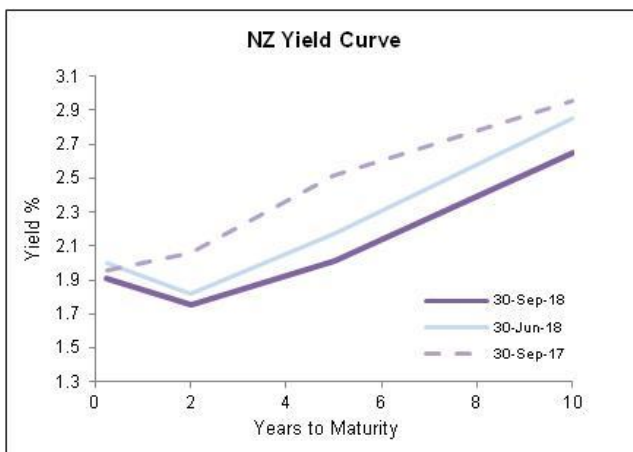
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NZ Cash & Fixed Interest

Bonds (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX 90 Day Bank Bill	714	0.5%	1.0%	2.0%	2.2%	2.7%	2.9%	4.4%
NZX Govt Bond Index	1,723	1.6%	2.6%	4.9%	3.9%	5.2%	5.5%	5.7%
NZX Composite A Grade	4,787	1.5%	2.6%	4.8%	4.0%	5.2%	5.8%	5.9%

The NZ official cash rate (OCR) remains at 1.75% and the Reserve Bank reiterates that the next move could be up or down, despite the recent June quarter economic growth rate was higher than expected. Trade uncertainties, oil price strength, low NZ dollar and weak business confidence could have mixed impact on the economic outlook, suggesting the official cash rate could be steady for another 12 months.

The Fixed interest market has seen NZ bond yields move in different direction to international trends. Over the quarter the NZ 10 year bond yield has eased from 2.86% to 2.62% whereas the US 10 year bond yield has moved up from 2.85% to 3.05%. This deviation is likely as a result of NZ budget surplus limiting the issuance of new Government bonds in a financial market where demand exceeds supply.



New Zealand & Australian Equities

Equities (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX50	9,351	4.6%	12.4%	17.9%	18.7%	14.6%	11.7%	9.9%
ASX200 (Local)	63,979	1.5%	10.1%	14.0%	12.1%	8.2%	7.7%	9.3%
ASX200 (NZD)		1.2%	13.3%	14.3%	11.9%	7.6%	6.9%	8.9%

The NZ share market produced a strong quarterly performance rising 4.6% as the reporting season produced corporate result, largely in line with expectation and the weaker dollar assisting the exporters. Once again demand (KiwiSaver investments) is exceeding supply and the share market appears fully valued.

The Australian share market produced a modest gain of 0.6% as the change in Prime Minister and the Royal Commission inquiry adversely affected sentiment, particularly in the financial sector.

International Equities

Equities (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
MSCI World (Local)	4,767	5.3%	9.1%	12.3%	13.5%	10.9%	9.1%	8.0%
MSCI World (NZD)		7.0%	16.9%	21.4%	12.3%	14.4%	8.5%	7.4%

US corporate earnings are rising strongly as a result of economic growth lifting revenue and the tax cuts reducing tax liability. Despite the 15.7% rise in the share market in the past year, this earnings growth suggests a further rise is possible. The strength in the US share market has provided support to other international markets, including New Zealand. However, there are some headwinds with risk of US inflation, interest rates are rising and their politics.

Property (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX Property	1,290	4.8%	9.4%	9.2%	9.1%	11.0%	9.4%	9.5%
ASX200 Property (Local)	3,314	-1.5%	6.9%	6.9%	4.8%	7.0%	0.4%	0.1%
ASX200 Property (NZD)		-1.8%	10.0%	7.3%	4.6%	6.3%	-0.4%	-0.2%
Currencies (% change)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZD / AUD	0.9169	0.3%	-2.8%	-0.3%	0.2%	0.6%	0.8%	0.3%
NZD / USD	0.6616	-1.9%	-8.6%	-8.4%	1.1%	-4.4%	0.1%	0.7%
NZ TWI	72.1	-0.5%	-2.9%	-5.6%	1.2%	-1.3%	1.3%	1.0%
Commodities (% change)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
Oil Prices (US\$/WTI)	73.25	-1.2%	12.8%	41.8%	17.6%	-6.5%	-3.1%	6.3%
CRB Index	195.16	-1.2%	-0.1%	6.6%	0.2%	-7.3%	-5.6%	-1.5%

